TELEPHONE REPORT TO THE REGULATORY FLEXIBILITY COMMITTEE OF THE INDIANA GENERAL ASSEMBLY

By the
Indiana Utility Regulatory Commission
September 2000

Chairman William D. McCarty

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— UPDATES —

1. EXECUTIVE SUMMARY

Local Exchange Competition

State commissions are charged with performing specific regulatory duties under the Telecommunications Act of 1996 (TA-96) that are meant to initiate pro-competitive policies at the local exchange level. State commissions must also undertake new administrative responsibilities that include advancing the goals of universal service and establishing policies and prices for interconnection.

Since last year's report, the following progress has been made in the local telephone exchange competition investigation and implementation of the TA-96:

- As of July 31, 2000, the Commission has reviewed for compliance and approved approximately 175 voluntarily negotiated interconnection agreements and amendments between incumbent and new carriers.
- On September 9, 1999, the Commission streamlined the Certificate of Territorial Authority (CTA) process for resellers of bundled local exchange service by approving an application form.
- On January 27, 2000, the Commission approved GTE's wholesale tariff, setting discounts at 19.58% for carriers that request operator services/directory assistance and 22.30% for carriers that do not request operator services/directory assistance.
- On August 16, 2000, the Commission ordered Ameritech Indiana to file a tariff with rates, charges, terms and conditions for basic Unbundled Network Elements (UNEs), including interim loop conditioning and shared transport, within 30 days.
- The Commission adopted interim performance measures for Ameritech Indiana, GTE and Sprint-United as part of the ongoing investigation into Operational Support Systems (OSS) that incumbent local exchange carriers (ILECs) must provide to new competitors. (OSS are systems necessary for transition of customers from ILECs to competitors).
- On August 29, 2000, Ameritech Indiana filed an application to offer in-region, interLATA services under Section 271 of the TA-96; after establishing processes for procedure and the filing of recommendations, the Commission responded to a Joint Progress Report, Statement of Principles, Issues Matrix, and Proposal for Procedural Order regarding Phase I of Ameritech Indiana's application proposal.
- To date, the Commission has issued a total of 215 certificates of territorial authority (CTAs) to competitive local exchange carriers (CLECs) to provide local exchange telecommunications services in competition with incumbent local exchange carriers. Seventy-five of these CTAs were for the provision of local exchange services through the alternative local exchange carrier's (ALEC) own facilities, whereas the remainder of the CTAs were granted for the provision of bundled local exchange services purchased for resale from ILECs.

The TA-96 is a truly landmark piece of legislation because it seeks to inspire competition in one of the oldest, and perhaps most important, monopoly markets: the market for local telephone service. Four years after the Act was signed into law, however, most markets for local telephone service in the United States have witnessed the development of little, if any, local competition. According to the most

recent Local Competition Report published by the FCC[1], CLECs are believed to have gained less than a 5 percent share of the total market for local telephone service in the United States.

In the five-state Ameritech region, Illinois has witnessed the greatest growth in competition for local telephone service, with approximately 5 percent of the total access lines in the state served by a CLEC. Indiana, in contrast, lags behind Illinois, Ohio and Wisconsin, with approximately 3 percent of total access lines served by a CLEC. However, while the total growth of local competition in the state and the growth of competition within Ameritech's service area in Indiana have been slower, competitors appear to be making greater inroads in GTE's Indiana service area than in neighboring states. Competition is virtually non-existent in Sprint-United's territory in Indiana. Furthermore, the IURC expects the advent of facilities-based competition for local telephone service to grow at a slower rate in Ameritech Indiana's territory than in the other four states, since much smaller percentages of access lines were served by a central office in which a competitor has a collocation agreement as of December 31, 1999.

Competition is expected to bring consumers the opportunity to choose a telecommunications carrier rather than relying on a single, monopoly provider. The advent of competition also is expected to inspire innovation in technology and service offerings, decrease prices to cost, and provide improved service quality as a once-monopoly provider is forced to compete with new entrants. However, if local competition is slow to develop or develops in limited markets or geographic areas, there is a real possibility that certain customers and geographic areas will not receive these new services or even maintain reasonable levels of service quality. Without the ability to issue fines or assess other monetary penalties for non-compliance with Commission orders and Quality of Service Standards, the Commission does not have the regulatory tools needed to properly oversee new services deployment or quality of service performance.

Facilities-based competition, or the provision of local service by a CLEC through unbundled network elements (UNEs), was virtually non-existent in Indiana as of December 31, 1998 and has increased at a much lower rate than in the surrounding Ameritech states through December 31, 1999. Many experts believe that UNEs and interconnection are the only avenues for the development of true, lasting competition for local telephone service, since a CLEC that provides service through the resale of an underlying ILEC's service has very little room to compete with the ILEC on price. Furthermore, of the resale competition that can be found in Indiana, more than one-half of the residential lines provided by CLECs as of December 31, 1999 were provided by prepaid local carriers, or carriers that target customers who cannot get phone service from the ILEC due to bad debt/credit and agree to pay up to $60 per month before local dial tone is provided. (The majority of Indiana ILECs offer basic local telephone service for less than $20 per month.) Not only is competition slow to develop in Indiana, but the competition that is occurring is for customers whom the ILECs do not want to serve.

[1] "Local Telephone Competition at the New Millennium." Common Carrier Bureau. Released August 31, 2000.

There are many significant factors that could explain why competition has been slower to develop in Indiana than in neighboring states. Indiana's population distribution and characteristics differ from those of Illinois, Michigan, Ohio and Wisconsin. Specifically, Indiana has a smaller total population, a larger rural population, and smaller metropolitan areas than all other Ameritech states except Wisconsin. Further, Indiana's population has the second lowest median household income in the region. It is therefore reasonable to assume that Indiana's low rankings on population factors that are attractive to CLECs most likely explain, at least in part, the slow growth of competition for local telephone service within the state.

Although data from the FCC's Local Competition Survey show little competition in the state as of December 31, 1999, this is not to imply that competition will never develop in Indiana. Many CLECs may be targeting the 10, 20, 50 or 100 largest metropolitan statistical areas (MSAs) in the nation as part of their entry strategy. As such, while Indiana communities might not have been included in many CLECs' initial roll out of service, competition could be on its way. Indeed, while the other four states in the Ameritech region have more competition at this point in time, Indiana might meet or exceed these states in the growth of local competition in the near future. The Commission and other state and local policy makers should continue to adopt policies that enhance the TA-96's goal of promoting competition for local telephone service. In addition, the Commission will continue to measure the growth of local competition to benchmark the agency's success in promoting competition, and fine tune its policies as necessary.

Enforcement Authority

The Commission has spent much of the past four years implementing the market-opening provisions of the TA-96 and the FCC orders, which further clarify how these provisions should be applied. One of the major obstacles the Commission has faced in market-opening and ensuring that Hoosiers have access to adequate service, however, is that its orders are only as good as its ability to enforce them. The Commission has undertaken investigations, issued orders, and established rules to open once-monopoly markets for local telephone service while attempting to ensure that until true, lasting competition develops, those customers who are served by incumbent local exchange carriers have adequate service. Unfortunately, many of the Commission's rules and orders have been largely ignored, thus leading to delays in the development of local competition and declining service quality.

As competitors attempt to enter Indiana local exchange telephone markets, they often find that their entry is discouraged or delayed by incumbent providers. Increasingly, the Commission must resolve disputes between competitors and incumbents regarding interconnection agreements. As the Commission or its staff attempts to resolve both interconnection disputes between incumbents and competitors, it finds that few incentives exist to encourage incumbents to abide by the terms of a Commission-facilitated resolution, without further Commission intervention. The Commission believes that effective competition in Indiana telecommunications markets will continue to develop slowly unless the

Commission is vested with the ability to enforce its orders in a timely manner through fines and other meaningful penalties.

Maintaining a high quality of service is a cornerstone of utility regulation. Unfortunately, service quality data for Ameritech Indiana and Sprint-United, (the state's first and third largest providers of local telephone service in Indiana), shows that the carriers' quality of service has declined. Indeed, Indiana consumers are strikingly dissatisfied with the service of the state's largest telephone company, as the percentage of residential customers dissatisfied with repair service and business office response time has increased dramatically.

Since last year's Report, the Commission approved Service Quality Commitments as part of the Settlement Agreements filed in Cause Nos. 40785-S2 and 40785-S3 for GTE and Sprint-United, respectively. Under the provisions of the Service Quality Commitments, monetary penalties ranging from $25,000 to $200,000 per violation may be assessed. Unfortunately, at this time, the Commission's ability to assess monetary penalties for poor service quality is limited to these two local exchange providers. Without the authority to issue fines or impose other penalties, the IURC cannot ensure that other utilities will provide high quality service. The Commission must have the tools to ensure that utilities provide adequate service for all captive customers as the market transitions to greater competition.

Streamlined Regulation

As markets change, so must the Commission's regulatory and administrative procedures. Since the last Report, the Commission has adopted an Application Form for Bundled Resale to expedite the CTA process, approved a standardized registration form for use by providers of cellular mobile radio and radio common carrier services, and issued General Administrative Order (GAO 2000-1) that sets forth requirements which allow quicker review of interconnection-related filings.

In order to resolve carrier-to-carrier disputes more quickly, the Commission began a rulemaking to amend its administrative and regulatory procedures and establish an expedited process for resolving interconnection complaints. Quick resolution of inter-carrier disputes will ensure that CLECs are able to provide uninterrupted service to their customers and to access services, functionalities, or network elements from the ILEC.

Conclusion

In last year's report, the Commission noted that it was seeing trends emerge in the area of complaints – interconnection and service quality related - that highlighted the Commission's lack of adequate enforcement authority. The lack of adequate enforcement authority continues to hamper the Commission's ability to resolve interconnection and quality of service problems. It is important to recognize that the Commission's orders are only as effective as the Commission's ability to enforce them. Without the ability to levy significant monetary penalties against a telecommunications carrier for non-

compliance, Commission-promulgated rules and orders that seek to protect the public interest will continue to be limited in their actual impact. The IURC believes that it would be sound public policy for the Indiana General Assembly to provide the IURC with adequate enforcement authority similar to that proposed in SB 177 and HB 1628 as introduced into the 1999 Legislative Session.

Without adequate enforcement capability, it will be difficult for the Commission to promote competition in the local exchange market and ensure that all Hoosiers have access to an adequate quality of telephone service.

— CURRENT ISSUES —

2. INTRODUCTION

Legislative Mandate

This report to the Regulatory Flexibility Committee of the Indiana General Assembly is mandated by the provisions of P. L. 55-1992, § 1, currently codified as Ind. Code 8-1-2.6-4(c) that:

> The commission shall, by July 1, 1993, and each year thereafter, prepare for presentation to the regulatory flexibility committee an analysis of the effects of competition on universal service and on pricing of all telephone services under the jurisdiction of the commission.[2]

The Regulatory Flexibility Committee of the Indiana General Assembly is also required under the provisions of Ind. Code 8-1-2.6-4(d) to:

> issue a report and recommendations to the legislative council by November 1, each year that is based on a review of the following issues:
>
> (1) The effects of competition in the telephone industry and impact of competition on available subsidies used to maintain universal service.
> (2) The status of modernization of the public telephone network in Indiana and the incentives required to further enhance this infrastructure.
> (3) The effects on economic development and educational opportunities of this modernization.
> (4) The current method of regulating telephone companies and the method's effectiveness.
> (5) The economic and social effectiveness of current telephone service pricing.
> (6) All other telecommunications issues the committee deems appropriate.

Scope of Report

The Telecommunications Act of 1996 (TA-96), which was signed into law on February 8, 1996, affects nearly all areas of intrastate telecommunications services either directly through actions required of the states or indirectly through rulemakings required of the Federal Communications Commission (FCC). As the first legislative reform of the nation's telecommunications industry in 62 years, the TA-96 established a goal to introduce competition into all facets of the telecommunications industry. The TA-96 gave state commissions considerable responsibility to implement the provisions of the Act related to intrastate telecommunications, particularly local exchange competition and universal service. A great deal of the Indiana Utility Regulatory Commission's (IURC or Commission) time and resources has been devoted to that task over the last four years. The Commission's 2000 report focuses on its efforts to carry out the goals and objectives of the TA-96.

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[2] Senate Enrolled Act No. 222, § 1.

The report also contains an analysis of market performance since competition was introduced in the local exchange market under the TA-96, and an update of the telecommunications industry statistics contained in the six previous reports submitted by the Commission.

3. MARKET PERFORMANCE DATA AND ANALYSIS

There are several basic, quantitative measures that can gauge local competition. Given that both the FCC and state commissions must work under largely the same regulatory framework, (i.e., the TA-96), all states must undertake certain obligations to ensure that local competition develops. This section uses data through December 31, 1999 and July 31, 2000 to measure the growth of local competition in Indiana. It also compares local competition in Indiana to the market shares earned by competitive local exchange carriers in the four other Ameritech states (Illinois, Michigan, Ohio and Wisconsin).[3]

In addition to reviewing data collected by the FCC, the IURC sent out its own data requests in February 2000 to all certified CLECs and the state's three largest ILECs to gauge the growth of local competition in Indiana. This information will be presented in Tables 4 and 5.

Benchmarks that can be used to measure competition are listed below:

- the number of CLECs certified to provide service in Indiana;
- the number of certified CLECs that have an approved tariff on file with the Commission;
- the number of Commission-approved interconnection agreements;
- the number of access lines (or "loops") served by a CLEC, either on a bundled resale basis or on a facilities-based basis through the purchase of unbundled network elements (UNEs) from an ILEC; and
- the number of lines served by an ILEC central office in which at least one competitive carrier has an arrangement to collocate equipment.

These measures of local competition will be discussed in the following sections.

Unless indicated otherwise, information contained in this section pertaining to Indiana is taken from the IURC Local Competition Survey for 1999 which includes data for the 1999 calendar year. All data relevant to the other four regional states is from the Federal Communications Commission, Common Carrier Bureau, Industry Analysis Division, Fifth Voluntary Local Competition Survey, which includes data for the 1999 calendar year.

Certification and Tariffing

Carriers that intend to compete against incumbent providers in the market for local telephone service must request and be granted a Certificate of Territorial Authority (CTA) from the Commission. As of July 31, 2000 the Commission has issued 215 CTAs to CLECs seeking to provide local exchange

[3] The Ameritech region will be the area of study in all five states. Ameritech is by far the largest ILEC and thus has a significant impact on the policies developed by state regulatory bodies. Ameritech also is the most significant competitor that new carriers face in each state.

Table 3: CLEC Customers Served by Resold ILEC Switched Lines as of December 31, 1999 (Voice-Grade Only)

State	Company	Total Voice Grade Lines	Residential Customers	Non-Residential Customers	Total Resale Lines	Percent Residential	Percent Other
Illinois	Ameritech	7,097,000	76,000	98,000	174,000	43.68%	56.32%
	GTE	958,000	0	2,000	2,000	0.00%	100.00%
Indiana	Ameritech	2,316,704	9,302	12,794	22,096	42.10%	57.90%
	GTE	1.013,467	4,465	22,271	26,736	16.70%	83.30%
	Sprint	248,740	306	888	1194	25.63%	74.37%
Michigan	Ameritech	5,500,000	67,000	36,000	103,000	65.05%	34.95%
	GTE	780,000	0	0	0	0.00%	0.00%
Ohio	Ameritech	4,145,000	13,000	53,000	66,000	19.70%	80.30%
	GTE	918,000	0	76	76	0.00%	100.00%
Wisconsin	Ameritech	2,195,000	7,000	39,000	46,000	15.22%	84.78%
	GTE	532,000	0	0	0	0.00%	0.00%

Another means of measuring the scope of competition is to examine the number of switching centers where CLECs have collocation arrangements with an ILEC. Collocation allows a CLEC to place its equipment in the ILEC's central office. The TA-96 requires ILECs to open up their networks to competitors. According to section 251(c)(6) of the Act, if a CLEC would like to collocate, or place its equipment in an ILEC facility such as a central office, then the ILEC must allow this, with some restrictions. For example, a CLEC might decide to purchase existing customer loops from an ILEC as unbundled network elements, and then connect these loops to the CLEC's own switch, which would be collocated in the ILEC's central office. As such, an examination of the number of access lines served by the large ILEC's central offices in which at least one competitor has an agreement to collocate shows the potential for facilities-based competition to emerge in the market for local exchange service.

Data obtained from the FCC's Common Carrier Bureau, Industry Analysis Division show that, on a weighted average, under 57 percent of the voice grade lines provided by Ameritech Indiana are served by central offices where a competitor is collocated. This percentage is much smaller than Ohio's 70 percent, Michigan's 80 percent, 88 percent for Illinois and 90 percent in Wisconsin.

The FCC's data for 1999 also reveals that on a weighted average, only the voice grade lines served by GTE's central offices in Michigan had a greater percentage (34 percent) of collocation exposure than those GTE lines in Indiana (22 percent). In Illinois the percentage of lines in central offices with collocation was 13 percent, Ohio was 4.7 percent and GTE's Wisconsin central offices had only a 4.4 percent collocation exposure percentage.

In last year's report a table was presented comparing the number and percentage of residential and non-residential ILEC voice grade access lines served by switching centers where at least one

competitor was collocated. While the Commission believes that this is a critical indicator of the status of local competition, inaccurate and incomplete data was submitted by the ILECs to the FCC for the 12 months ending December 31, 1999. Therefore, it is impossible to present a table or graph illustrating the percentage of ILEC voice grade lines served by central offices where a competitor is collocated other than on a weighted average basis.

Table 4 compares the market share earned by CLECs in Indiana—as measured by the number of access lines provided to end users—to the market shares earned by Ameritech Indiana, GTE, and Sprint-United. As of December 31, 1999, CLECs served a very small segment of the market for local exchange service, approximately 1.39 percent of the total access lines shown in Table 4. This represents a slight increase from the 1.0 percent reported from similar statistics collected through December 31, 1998.

Table 4: Voice Grade Access Lines Provided to End-Users [7]

	Through December 31, 1999			Through December 31, 1998		
Carrier	**Residential**	**Non-Residential**	**Total**	**Residential**	**Non-Residential**	**Total**
Ameritech Indiana	1,454,360	793,259	2,247,619	1,430,150	777,403	2,207,553
% State Total	59.82%	67.33%	62.27%	61.99%	68.56%	64.15%
GTE North Inc.	687,763	270,727	958,490	688,774	268,151	956,925
% State Total	28.29%	22.98%	26.55%	29.85%	23.65%	27.81%
Sprint-United	187,527	59,732	247,259	182,933	57,628	240,561
% State Total	7.71%	5.07%	6.85%	7.93%	5.08%	6.99%
Other ILECs	87,597	18,531	106,128	Not reported In 1998	Not reported In 1998	Not reported In 1998
% State Total	3.60%	1.57%	2.94%			
CLECs	14,073	35,955	50,026	5,281	30,648	35,929
% State Total	0.58%	3.05%	1.39%	0.23%	2.70%	1.04%
Total	2,431,320	1,178,202	3,609,522	2,307,138	1,133,830	3,440,968

Table 5 also examines CLEC market share by comparing local service revenue and intrastate access revenue earned by Indiana CLECs against revenue earned by Indiana's three largest ILECs.[8] Table 5 also shows that as of December 31, 1999, local service and intrastate access revenues earned by CLECs amounted to slightly over 2.7 percent of total revenues earned by Indiana's three largest ILECs.

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[7] This table presents lines used by a carrier to provide switched local exchange service to an end user, with the service in question billed by the carrier providing service. Therefore, only lines across which an ILEC provides service and bills for that same service are included in this table – 'Retail'; the data does not count lines such as unbundled network elements or total service resale to competitive carriers. In contrast, the CLEC results present lines used by competitive carriers to provide service, whether a line is owned by the CLEC or purchased as an unbundled network element or through a total service resale arrangement – "Wholesale".

[8] The Commission lists revenues for Ameritech Indiana, GTE, and Sprint-United, since these three carriers serve more than 96.5 percent of the access lines in the State of Indiana. It is important to note that, Table 5 most likely underestimates the revenue earned by CLECs as of December 31, 1999 as no survey response was received from Intermedia Communications, Inc., KMC Telecom II, Inc. and SIGECOM, LLC.

Table 6: Population, Density and Distribution

	Population (June 1998)		Persons per Sq. Mi. of Land Area (1998)		Population Living in Metropolitan Areas (1998)	
State	**(thousands)**	**Rank**	**Number**	**Rank**	**%**	**Rank**
Illinois	12,128	5th	205.6	11th	84.1	13th
Indiana	5,943	14th	154.6	16th	71.7	23rd
Michigan	9,864	8th	163.6	14th	82.4	16th
Ohio	11,257	7th	264.9	9th	81.1	18th
Wisconsin	5,250	18th	90.1	24th	67.7	30th

The presence (or lack) of major metropolitan areas also could influence a CLEC's decision to provide service in a state. Many CLECs have stated in the trade press that their business strategy involves offering service in the 10, 20, 50 or 100 largest markets in the nation as a first step. Just as it is more cost-effective (and thus more lucrative) for a telecommunications carrier to serve an urban area, it is reasonable to assume that the largest metropolitan areas are the most attractive to CLECs.

Data from the U.S. Bureau of the Census showed that Ohio and Indiana have the greatest number of Metropolitan Statistical Areas (10) of the five regional Ameritech states, followed in descending order by Wisconsin (8), Illinois and Michigan (7). When comparing states by the number of MSAs ranked in the top 100, Ohio leads with 7, followed by Michigan (5), Indiana (2), Wisconsin (2) and Illinois has 1. Finally, and perhaps most importantly, Illinois serves as home to the nations' third largest MSA (Chicago) and Michigan serves as home to the nation's eighth largest MSA (Detroit-Ann Arbor-Flint). The presence of these two major metropolitan centers within their boundaries could explain why Illinois and Michigan have experienced a greater degree of local competition than the other three Ameritech states.

An additional factor which could impact local competition is the deployment of high speed and advanced telecommunications services. In the recent FCC report[13] on the availability of advanced services, it reported that as of December 31, 1999, nationwide subscription to high speed (transmission of data in one direction at 200 Kbps) and advanced telecommunications services (2 way transmission at 200 Kbps) had reached 2.8 million subscribers of whom 1.8 million are residential or small business customers. This is a three-fold increase from 1988.

The penetration rate for advanced services tripled from 0.3 percent of households subscribing at the end of 1998 to 1.0 percent at year end 1999. The aggregate penetration rate for high speed and advanced services was 1.6 percent as of December 31, 1999. Fifty nine percent of the zip codes

[13] FCC, Broadband Survey, August 3, 2000.

nationwide have at least one subscriber to high speed services, and ninety one percent of the nation's population lives in those zip codes.

The FCC concludes that even though the deployment of advanced telecommunications services is currently progressing in a reasonable and timely fashion, there are segments of the population that are particularly vulnerable to *not* receiving access to advanced services, if deployment is left to market forces alone. These groups include: rural Americans, particularly those outside of population centers; inner city consumers; low-income consumers; minority consumers; and tribal areas.

The FCC data supports the notion that rural and non-major metropolitan areas may be "at risk" in terms of not having access to advanced high speed telecommunications services. As previously illustrated in Table 6, Indiana ranks fourth of the five Ameritech regional states in total population, population density (persons per square mile) and population living in metropolitan areas. Also, Indiana's largest MSA, Indianapolis, ranks 29th nationally. Based on the FCC premise that advanced service deployment will occur in major metropolitan areas first, it appears that service providers may be attracted to invest in other states first, those with the top 10, 15 or even 25 MSAs.

Finally, it is important to examine the relative number of access lines served by the ILECs in each state. Ameritech Indiana only serves 62.5 percent of the total access lines in Indiana, whereas it serves approximately 90 percent of the total state access lines in Illinois and Michigan, which also happen to be the Ameritech region states with the most local competition. GTE, in contrast, controls approximately 27 percent of the total access lines in Indiana, versus approximately 10 to 15 percent of the total access lines in neighboring states. GTE also serves the second largest MSA in Indiana (Fort Wayne). As such, a CLEC seeking to provide service in Indiana must negotiate with two strong ILECs, not just one, which might serve as a disincentive to provide service in the state. Furthermore, the relative market shares of Ameritech Indiana and GTE might explain the differential growth in competition faced by each competitor. Competition may be growing more slowly in Ameritech Indiana territory than Ameritech's territory in other states because the number of total access lines is smaller, and thus less attractive. In contrast, GTE's Indiana territory encompasses relatively more access lines than in neighboring states, and thus might be more attractive to CLECs.

4. ENFORCEMENT

The Commission has spent much of the past four years implementing the market-opening provisions of the TA-96 and the FCC orders which further clarify how these provisions should be applied. In addition, the Commission continues to ensure that rates for telecommunications services are reasonable, and that Hoosiers have access to adequate service.

One of the major obstacles the Commission has faced, however, is that its orders are only as good as its ability to enforce them. As will be described below, the Commission has undertaken investigations, issued orders, and established rules to open once-monopoly markets for local telephone service while ensuring that until true, lasting competition develops, customers have adequate service. Unfortunately, many of the Commission's rules and orders have been largely ignored, thus leading to delays in the development of local competition and declining service quality. Without some sort of enforcement mechanism that can assess significant penalties against those telecommunications carriers that do not comply with its orders, the Commission has virtually no means to remedy these problems on a prospective basis.

Carrier Interconnection Disputes

The TA-96 provides little guidance to state commissions on how to resolve inter-carrier disputes regarding the implementation of interconnection agreements, nor does it impose penalties that state commissions can assess if a carrier engages in anti-competitive behavior. While TA-96 establishes expedited statutory deadlines for a state commission to review negotiated and arbitrated interconnection agreements, it provides no timeline for resolving post-interconnection agreement disputes. The Commission has resolved three formally docketed complaints (which involved Ameritech Indiana) regarding the implementation of approved interconnection agreements since last year's Report. This is in addition to many more informal grievances relayed to Commissioners and staff.

Golden Harbor and FBN

On October 13, 1998, Golden Harbor of Indiana, Inc. (Golden Harbor) filed a petition with the Commission requesting that Ameritech Indiana be ordered to comply with Section 252(i) of the TA-96. Golden Harbor stated that Ameritech Indiana would not allow Golden Harbor to adopt an interconnection agreement between Ameritech Indiana and AT&T without the addition of new contract language. Ameritech Indiana filed its Answer, admitting that it would not allow Golden Harbor to adopt the AT&T agreement without the addition of "clarifying" footnotes. In its December 16, 1998 Order approving adoption of the agreement, the Commission found that the agreement between Ameritech Indiana and AT&T was an agreement approved pursuant to Section 252 of the TA-96 that should be made available to other carriers pursuant to Section 252(i) of the TA-96. The Commission further stated that, other than the

interconnection point and effective date of the agreement, parties "must abide by the specific language contained in the previously approved agreement."[14]

Ameritech Indiana did not request reconsideration of the Commission's Order, nor did it appeal the Order. On January 18, 1999, Ameritech Indiana sent a "discussion Draft" of a proposed interconnection agreement to Golden Harbor which still contained the "clarifying" footnotes. On February 15, 1999, Ameritech Indiana sent another "discussion Draft" of a proposed interconnection agreement to Golden Harbor which still contained "clarifying" footnotes. On March 24, 1999, Ameritech Indiana again refused to sign the Agreement without the "clarifying" footnotes. On April 1, 1999, Golden Harbor filed a request with the Commission to mandate Ameritech Indiana's compliance with the Commission's December 16, 1998 Order. On April 20, 1999, an attorneys' conference was held, at which time Ameritech Indiana informed the Commission that a newly executed agreement would not be necessary and the parties would be filing a designation of the interconnection point and the date of interconnection. Ameritech Indiana and Golden Harbor subsequently notified the Commission of their agreement to the interconnection point and implementation date of interconnection. On July 9, 1999, Golden Harbor filed a "Request for Order to Require Ameritech to Make Terms of Agreement Available for a Reasonable Period of Time and to Remedy Ameritech's Anti-competitive Behavior (Request for Extension).

On December 8, 1998, FBN Indiana, Inc. (FBN) filed a Petition with the IURC seeking an Order from the Commission (1) requiring Ameritech Indiana to permit FBN to adopt the previously approved interconnection agreement between US Xchange, LLC and Ameritech Indiana; and (2) imposing sanctions on Ameritech Indiana for its refusal to comply with applicable state and federal law.[15] On December 28, 1998, Ameritech Indiana filed its "Response to Petition" admitting that it had attempted to place a footnote in the interconnection agreement regarding reciprocal compensation provisions. In its July 1, 1999 Order approving the adoption of the agreement, the Commission found that the agreement between Ameritech Indiana and US Xchange was an agreement approved pursuant to Section 252 of the TA-96 that should be made available to other carriers pursuant to Section 252(i) of the TA-96. Neither Ameritech Indiana nor FBN requested reconsideration of the Order, nor did either appeal the Order. On August 18, 1999, FBN and Ameritech agreed to the interconnection point and implementation date for the interconnection agreement and so notified the Commission on August 23. On October 5, 1999, FBN filed a "Request for Order to Require Ameritech to Make Terms of Agreement Available for a Reasonable Period of Time and to Remedy Ameritech's Anti-competitive Behavior" (Request for Extension).

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[14] In the Matter of Golden Harbor of Indiana, Inc. Petitioning Commission Action Regarding Adoption of Interconnection Agreement Pursuant to Section 252(e) and 252(i) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Indiana Bell Telephone Company, Incorporated, d/b/a Ameritech Indiana, Cause No. 41268-INT-05, December 16, 1998.

[15] In the Matter of FBN Indiana, Inc.'s Petition for Commission Action Regarding Adoption of Interconnection Agreement Pursuant to Section 252(e) and 252(i0 of TA-96 to Establish an Interconnection Agreement with Indiana Bell Telephone Coming, Incorporated, d/b/a Ameritech Indiana, Cause No. 41268-INT-09, December 9, 1998.

On October 25, 1999, the presiding officers issued a docket entry granting a Motion to Consolidate for Hearing the evidentiary hearing for Golden Harbor in Cause no. 41268-INT-05 with the evidentiary hearing for FBN in Cause No. 41268-INT-09. The hearing was held on November 19, 1999 at which time the parties presented evidence regarding Ameritech Indiana's alleged anti-competitive behavior and oral argument regarding the propriety of the Complainants' requests for extension.

On January 19, 2000, the IURC issued its decisions in both cases. In Cause No. 41268-INT-05, Golden Harbor, the Commission found that Ameritech Indiana's delay in permitting adoption and implementation of the interconnection agreement by Golden Harbor was unreasonable and in direct contravention of Section 252(i) and the Commission's December 16, 1998 Order. As a result, the Commission granted Golden Harbor's Request for Extension – the interconnection agreement between Ameritech Indiana and Golden Harbor was extended for a period of six months. In Cause No. 41268-INT-09, the Commission found that FBN had not provided the information requested by Ameritech Indiana and there was not clear and convincing evidence that Ameritech Indiana unduly delayed the interconnection. Therefore, the Request for Extension filed by FBN was denied.

McLeodUSA Telecommunications Services, Inc. (McLeodUSA)

On October 14, 1999 in Cause No. 41570, McLeodUSA filed its Complaint against Ameritech Indiana, and on November 19, 1999, it filed an Amended Complaint. McLeodUSA alleged that Ameritech Indiana's collection of special construction charges for the provisioning of unbundled loops was discriminatory and allowed Ameritech Indiana to double recover its special construction charges.[16] Specifically, McLeodUSA asserted that Ameritech Indiana did not impose similar charges on its retail customer and that the charges it collected from McLeodUSA represented costs that were already included in Ameritech Indiana's standard unbundled loop rates. In response to these allegations, Ameritech Indiana stated that the issues under review involved both Ameritech Indiana's former construction policy, which applied to the specific unbundled loop orders placed by McLeodUSA in 1998 and 1999, and Ameritech Indiana's revised special construction policy, which was announced on December 20, 1999 and took effect on January 1, 2000. Ameritech Indiana stated that the revised special construction policy substantially reduces the instances in which it collects a special construction charge apart from its standard unbundled loop rates.

An evidentiary hearing was held in this matter on March 2, 2000 and parties filed their briefs and proposed orders. On June 28, 2000, the Commission issued its decision, finding that McLeodUSA had been harmed by the illegal and discriminatory manner in which Ameritech Indiana assessed special construction charges, and that Ameritech Indiana's practice of assessing such charges was unreasonable and unjust. The IURC also stated that Ameritech Indiana's practice of posting its special construction

[16] In the Matter of the Complaint of McLeodUSA Telecommunications Services, Inc. Against Indiana Bell Telephone Company Incorporated, d/b/a Ameritech Indiana, Pursuant to the provisions of I.C. §§ 8-1-2-54, 8-1-2-68, 8-1-2-103, and 8-1-2-104 Concerning the Imposition of Special Construction Charges, Cause No. 41570.

policy on a proprietary, password-protected web site that is not subject to regulatory oversight undermines the Commission's ability to review and approve interconnection agreements under Section 252(e) of the TA-96 and violates the plain language of its interconnection agreement with McLeodUSA. The Commission ordered Ameritech Indiana to refund to McLeodUSA all special construction charges assessed and paid by McLeodUSA since August 28, 1998, a total amount of $151,623,30.

Service Quality

Maintaining a high quality of service is a cornerstone of utility regulation. Unfortunately, service quality data for Ameritech Indiana and Sprint-United, the state's first and third largest providers of local telephone service access lines in Indiana, shows that the carriers' quality of service has declined. In addition, data from the FCC's Automated Reporting Management Information System (ARMIS)[17] show that Ameritech Indiana had the longest out-of-service repair intervals for business customers (1997, 1998 and 1999) and residence customers (1997 and 1999), the highest repeat out-of-service interval for business customers (1997, 1998 and 1999), and the longest average initial installation interval for business customers (1997) of any Ameritech operating company.

Table 7: ARMIS Data for Residential and Business Service

	Ameritech						GTE North					
Year	Avg Inst		Repair 1		Repair 2		Avg Inst		Repair 1		Repair 2	
	Res	Bus	Res	Bus	Res	Bus	Res	Bus	Res	Bus	Res	Bus
1996	2.0	3.8	28.5	19.4	30.1	20.1	2.6	5.1	22.3	9.3	23.3	9.7
1997	2.1	3.6	32.6	23.9	34.5	23.4	2.5	3.5	19.0	9.0	20.0	9.0
1998	2.3	3.1	28.9	24.8	30.4	25.4	2.2	3.1	17.1	8.7	18.1	8.8
1999	2.3	2.8	27.2	24.1	29.3	24.6	1.1	2.6	15.8	8.7	16.9	8.8

	GTE North/Contel						Contel South					
Year	Avg Inst		Repair 1		Repair 2		Avg Inst		Repair 1		Repair 2	
	Res	Bus	Res	Bus	Res	Bus	Res	Bus	Res	Bus	Res	Bus
1996	2.7	4.1	19.5	9.1	20.2	9.8	4.3	4.5	20.1	9.8	19.5	12.2
1997	2.4	2.9	14.0	6.0	15.0	6.0	2.9	6.0	20.0	9.0	22.0	4.0
1998	2.4	2.5	15.2	7.7	15.8	6.8	2.7	2.5	16.9	9.1	17.7	17.5
1999	1.3	2.4	14.6	7.5	15.8	7.8	1.6	2.4	15.8	10.1	17.3	9.7

[17] ARMIS collects service quality data on a state-specific basis for the nation's largest local telephone companies, including Ameritech, GTE, and Sprint-United.

Year	United/Sprint						Regional Average					
	Avg Inst		Repair1		Repair2		Avg Inst		Repair1		Repair2	
	Res	Bus	Res	Bus	Res	Bus	Res	Bus	Res	Bus	Res	Bus
1996	3.0	6.3*	10.2	8.0	10.8	8.0	2.5	4.2	18.5	12.2	19.8	13.0
1997	2.5	5.3	9.6	7.2	9.9	7.3	2.3	3.6	17.6	12.3	19.4	12.2
1998	3.0	6.0	11.8	8.9	12.9	9.9	2.3	3.4	17.4	12.7	18.3	13.4
1999	3.7	6.7	15.4	13.6	17.5	12.7	1.8	3.2	16.7	13.1	17.9	13.6

Legend: Avg Inst – Average Installation Interval (in days); Res - Residential
Repair1 – Initial Out of Service Repair Time (in hours); Bus - Business
Repair2 – Repeat Out of Service Repair Time (in hours)
GTE North – Formerly GTE
GTE North/Contel – Formerly Contel of Indiana Inc.
Contel South – Formerly Alltel Indiana Telephone Co.
Regional Average – The above companies for Indiana, Illinois, Michigan, Ohio and Wisconsin

According to data supplied by Ameritech Indiana to the Commission, the carrier has failed to meet two important Indiana service quality standards over the past five quarters: clearing out-of-service calls within 24 hours and answering calls to the business office from customers.[18] The following Table 8 contains the 2nd Quarter of 2000 quality of service results reported to the IURC for Ameritech Indiana and GTE. (Due to inconsistency in data reporting requirements, i.e., Ameritech Indiana operates under reporting requirements established in Cause No. 40849 and GTE operates under Quality of Service Commitments made as part of its Settlement Agreement in Cause No. 40795-S2, an asterisk is used to indicate failure to meet the IURC's Standards of Service or a Service Quality Commitment.)

Table 8: Service Comparison for the Second Quarter of 2000

	Ameritech	GTE/Verizon	IURC Standard
Avg. Installation (w/in 5 days)	85.5%*	99.3%	90% w/in 5 days
Repair Reports per 100 access lines	2.0	1.6	Trouble reports will not exceed 10 reports per 100 total lines
Out of service cleared within 24 hours	81.4%*	11.3 hr.	Service repair practices shall be designed to restore service within 24 hours.
Repair answer	72.9%*	15.2 Sec	80% answered w/in 20 sec.
Trunks	99.3%	99.5%	97% no blockage
Business Office Answer	24.0%*	16.1 Sec	80% w/in 20 sec
Local Call Completion	99.9%	99.6%	95% completion

*Below Quality of Service Standards

Note: GTE/Verizon reported Out of Service cleared within 24 hours, Repair Answer and Business Office Answer in averages instead of percentages. However, in all three case the average meets or exceeds the standard.

[18] As part of the interim phase of Opportunity Indiana, Ameritech Indiana is required to file various service quality reports based on the IURC's Standards of Service developed in 1979 and detailed in 170 IAC 7-1.1-1 through 7-1.1-11. Table 11 on page 85 details Ameritech Indiana's Quality of Service Results for the last five quarters.

As shown by data collected by the IURC, Ameritech Indiana has consistently failed to comply with Indiana's service quality standards that were developed in 1979, long before the development of much of the technology that is used today. However, without the ability to fine Ameritech Indiana (or any other telecommunications carrier that consistently fails to comply with the Commission's service quality standards), the Commission has no means to ensure that adequate telecommunications services are available to Indiana consumers.[19] Indeed, Indiana consumers appear to be increasingly dissatisfied with the service of the state's largest local telephone companies. Ameritech Indiana's customer satisfaction results, as reported by ARMIS, have declined over the past four years, while GTE North's and GTE North/Contel has stayed the same and Contel South has improved.

Table 9: Percent of residential customers dissatisfied with repair service.[20]

Year	Ameritech	GTE North	GTE North/Contel	Contel South
1996	8.1	14.98	8.21	26.32
1997	10.13	15.01	8.15	13.33
1998	11.7	11.81	7.76	17.24
1999	16.89	13.09	8.37	11.11

Table 10: Percent of residential customers dissatisfied with business office response time.[20]

Year	Ameritech	GTE North	GTE North/Contel	Contel South
1996	4.0	1.35	2.0	0.0
1997	6.86	2.1	4.38	16.67
1998	7.13	1.31	2.72	5.26
1999	9.0	2.14	0.0	0.0

In conclusion, it is important to recognize that the Commission's orders are only as effective as the Commission's ability to enforce them. Without the ability to levy significant monetary penalties against a telecommunications carrier for non-compliance, Commission-promulgated rules and orders will continue to be limited in their actual impact.

In an effort to update the Commission's Standards of Service for Telephone Companies, two rulemakings were initiated in early 2000 and are described in the following sections.

[19] As part of their Settlement Agreements approved by the Commission in Cause Nos. 40785-S2 and 40785-S3 respectively, GTE and Sprint-United are currently operating under Service Quality Commitments that may result in monetary penalties ranging from $25,000 to $200,000 per violation.

[20] Sprint-United does not report these results.

Phase One: Rulemaking (Standards for Service Quality)

In the Spring of 1999 under Cause No. 40785, an industry Task Force was assembled to explore the need for changing the Commission's telephone service quality standards, which were last amended in 1979. The members of the Task Force, headed by Alan Matsumoto of Sprint-United, met privately to see if they could jointly agree on changes. Agreement was reached on many, but not all issues. At a hearing in Cause No. 40785 on July 26, 1999, new service quality standards proposed by the industry Task Force were presented to the Commission, as well as dissenting opinions.

On January 7, 2000, a Docket Entry was issue to inform the parties (1) that the Commission's staff had reviewed the parties' various proposals, and (2) that a rulemaking would be commenced, pursuant to the procedures set forth in I.C. 4-22, to amend 170 IAC 7-1.1-1 through 7-1.1-11.[21] A meeting was held on January 14, 2000 as a preliminary step to the rulemaking process and a list of questions that had been prepared by the Commission's agent, Richard Juday, were discussed.

Proposed rules were drafted by the Commission staff, submitted as LSA Document #00-34 in April, and published in the Indiana Register on May 1, 2000. A hearing has held on May 23, 2000. Comments were received on the proposed rulemaking on July 2, 2000 and are currently being reviewed. It is anticipated that the Standards for Service Quality will be effective on or about December 1, 2000.

Phase Two: Rulemaking (Truth-in-Billing)

On January 7, 2000, a docket entry was issued in Cause No. 40785, stating the intention of the IURC to begin a rulemaking process to consider changes affecting the billing and customer rights sections of the administrative rules pertaining to telephone utilities (170 IAC 7-1.1-12 through 18). An organizational meeting was convened on February 17, 2000 to evaluate the existing rules, identify needed changes, and suggest amendments, deletions or additions. Representatives from the telecommunications industry, the Indiana Office of the Utility Consumer Counselor (OUCC), and the IURC's Consumer Affairs and Telecommunication Divisions were in attendance.

Subsequent to the February 17 meeting, members of the IURC's Telecommunications Division met with select industry representatives and representatives of the OUCC to develop a list of questions to help the IURC collect more detailed information about the issues that were discussed during the February 17 meeting. These questions were posted to the IURC's website. Responses were due on April 3, 2000 and replies were due by April 17, 2000.

[21] In general, these Sections of the Standards of Service establish minimum technical benchmarks for the provision of telephone service.

A public meeting was held on May 8, 2000 where the parties and the IURC staff discussed the responses and developed a plan for formulating revised rules. A Task Force was designated to draft proposed revisions to 170 IAC 7-1.1-12 through 18.

The Task Force has met throughout the summer and is scheduled to provide its proposals to the IURC for review by the end of August 2000. The IURC plans to publish proposed rules in Fall 2000.

5. STREAMLINED REGULATION

Four years after the passage of the TA-96, the IURC has gained additional insight into emerging competition in all telecommunications markets, but particularly the market for local exchange telecommunications services. As markets change, so must the Commission's regulatory and administrative procedures. At the end of the 1999 and the beginning of 2000, the Commission implemented streamlined application and tariff approval procedures to eliminate the regulatory burdens faced by certain classes of telecommunications carriers, initiated a rulemaking in order to expedite the resolution of carrier-to-carrier disputes, and issued a General Administrative Order (GAO) setting forth uniform procedures for adoption and/or submission of interconnection agreements and amendments to hasten their review. All of these regulatory revisions, which are described below, reflect the need to amend regulation to promote competition for telecommunications services.

Competitive Local Exchange Carriers - Application, Tariffs, & Market Data

On June 15, 1994 in Cause No. 39983, the Commission initiated an investigation into matters relating to local telephone exchange competition within the State of Indiana. This investigation was prompted by the Commission's acknowledgement of the growing need for a generic review of local exchange telephone competition issues and by legislative, consumer, and industry interest. Subsequently, this investigation resulted in interim orders dealing with the introduction of competition into the local exchange telephone market.

While the regulatory and administrative reforms that resulted from this initial investigation have been generally successful in promoting the goal of a more competitive local exchange atmosphere, it is the nature of an evolving market that further regulatory and administrative reform may be required. Based upon the information available to the Commission relating to the emerging local exchange telephone competition in Indiana and nationally, the Commission commenced a limited investigation, on its own motion, into procedures to streamline the initial application requirements and subsequent tariff approval procedures for carriers seeking a certificate of territorial authority (CTA) to provide local exchange telecommunication services within the State of Indiana.[22] The Commission also sought additional information from competitive local exchange carriers (CLECs) that would assist the Commission in tracking the development of local competition and the promotion of consumer choice on a prospective basis.

Thus, on April 28, 1999, the Commission issued a straw man proposal that sought comment on the amended regulatory and administrative procedures. On September 9, 1999, the IURC issued an Order in which streamlined procedures were approved for the CLEC CTA process (Application Form

[22] Cause No. 39983, In the Matter of the Investigation on the Commission's Own Motion into any and all Matters Relating to Local Telephone Exchange Competition within the State of Indiana, Order Reopening Cause for Limited Reconsideration of Proposed Streamlined Regulatory and Administrative Procedures, April 28, 1999.

for Bundled Resale), tariff approval process, and submission of customer service information as described below.

First, a form to be used by CLECs seeking a CTA for bundled resale of local exchange telecommunications services, pursuant to Section 251(c)(4) of the Act was adopted. The goal of this form is to expedite the processing of CTA applications. The Commission previously decided that it is not necessary to hold an evidentiary hearing for petitioners that seek a CTA for the bundled resale of an underlying ILEC's local exchange telecommunications service. However, many of the petitions that staff received lacked the requisite information, or presented it in a manner that was misleading. To clear up staff questions that result, the Commission would often have to hold an evidentiary hearing. This would delay the issuance (or denial) of a CTA for several months. The adopted form shortens the application and review processes because it clearly outlines the information to be presented. This makes it easier for a carrier to petition the Commission, and take less time for staff to review the application.

Second, in order to expedite the tariff approval process, the Commission allows a certified CLEC to adopt another CLEC's tariff, so long as such tariff has received final approval from the Commission. Also, certified CLECs are permitted to submit an original tariff to the Commission for approval, with the Commission granting final approval of the tariffed rates and charges included in the tariff one day after it is filed, and the terms and conditions receiving interim approval one day after it is filed. Under this new regulatory procedure, CLECs are allowed to offer service to end users more rapidly. Under the Commission's prior rules and regulations, a CLEC could not offer service until all of the proposed rates, charges, terms and conditions received final approval, which could take several months to obtain.

Third, the Commission adopted the following CLEC reporting requirements:

1) all certified CLECs are required to file their customer service information (address and telephone number) and any subsequent changes with the Commission; and

2) all certified CLECs are required to notify the Commission when they begin to provide service in an exchange, as well as whether business and/or residential customers are being served.

This information is submitted to and maintained by the Commission's Consumer Affairs Division, and placed on the Commission's web page for public dissemination.

The goal of these new reporting requirements is to promote competition and customer choice by helping consumers make more informed decisions about their telecommunications services. Since the passage of the TA-96, the Commission has received many calls from consumers who would like to sign up with a CLEC. Specifically, these individuals would like to know 1) which CLECs are serving their exchange and 2) how to contact these carriers. Unfortunately, the Commission could not satisfy these requests because it did not have a complete listing of the exchanges that a CLEC is serving at any given

time. The Commission also had not previously required CLECs to provide customer service addresses and telephone numbers.

Radio Common Carriers & Commercial Mobile Radio Service Providers

The IURC streamlined the application process for Radio Common Carriers (RCC) Commercial Mobile Radio Service (CMRS) providers, more commonly known as paging and cellular companies, on October 13, 1999. The FCC has largely preempted the authority of state commissions to regulate these classes of telecommunications carriers. However, pursuant to state law, RCC and CMRS providers must still seek a CTA before providing telecommunications service in the State of Indiana.

Given the IURC's limited authority over these carriers and the competitive nature of this market, the IURC believed that a streamlined CTA application process would benefit the public interest. The IURC adopted a simple application form, which eliminates the requirement that a RCC or CMRS provider formally petition the Commission in order to obtain a CTA. These new regulatory requirements largely mirror the streamlined application process that the Commission applied to resellers of Wide Area Telephone Service (WATS) and intrastate, interexchange service on January 14, 1998 in Cause No. 39983.

On October 13, 1999 in Cause No. 39983, the Commission adopted a standardized registration form for use by providers of CMRS and RCCs petitioning the Commission for a CTA to provide cellular mobile radio services or radio common carrier services, including radio paging services. The IURC further found that entities seeking CTA authority no longer needed to publish notice of their intent in any newspapers, and limited the service obligations of their applications.

Resolution of Carrier-to-Carrier Disputes (Rocket Docket)

In order to resolve carrier-to-carrier disputes more quickly, the Commission began a rulemaking to amend its administrative and regulatory procedures and establish an expedited process for resolving interconnection complaints. An expedited dispute resolution process will benefit the public interest, since quick resolution of inter-carrier disputes will ensure that CLECs are able to provide uninterrupted service to their customers and to access services, functionalities, or network elements from the ILEC. In addition, the expedited timeline eliminates the incentive for an ILEC to disagree with the terms of the interconnection agreement simply to stall interconnection with a CLEC.

On April 1, 2000, the proposed rule was published in the Indiana Register and a hearing was subsequently held on April 30, 2000. The comment period ended on June 2, and it is anticipated that the rule will become effective on or about November 9, 2000.

General Administrative Order 2000-1 (GAO 2000-1)

On February 2, 2000, GAO 2000-1, which governs the administrative procedures for adoption and/or submission of interconnection agreements and amendments thereto under the TA-96, was approved by the IURC. The GAO supersedes two previous administrative orders issued in Cause No. 39983: Interim Procedural Order issued June 5, 1996 and Amended Interim Procedural Order issued August 21, 1996, and establishes uniform administrative and procedural requirements that allow for quicker review of the interconnection-related filings. The GAO sets forth requirements for:

- Adoption of Previously Approved Interconnection Agreements or Arrangements;
- Submission of Voluntarily Negotiated, Mediated, or Arbitrated Agreements;
- Submission of Amendments to Agreements; and
- Submission of Superceding Agreements.

6. 40785 SUBDOCKETS

Commission's Investigation Into Universal Service Reform & Access Charge Reform

The Commission initiated a generic investigation into universal service and access charge reform on March 26, 1997, docketed as Cause No. 40785. Beginning in the fall of 1998, the Commission issued a number of orders and docket entries in that Cause designed to bring the three largest ILECs' retail local exchange rates and costs into compliance with Section 254 (the "universal service" section) of the TA-96. These orders dealt with a number of complex, interrelated issues: affordability of rates; comparability of rates and services between "rural, high cost, and insular" areas with the rates in urban areas for similar services; subsidies; confiscation and unconstitutional takings; allocation of joint and common costs (e.g., loop costs) between universal service and other telecommunications services; the continued mirroring of access charges;[23] and the types of cost studies that would need to be filed to comply with the cost allocation requirements. A much more extensive discussion of these orders may be found at pages 64 – 68 of the Commission's 1999 telecommunications report to the Regulatory Flexibility Committee.

Rate Conformance Subdockets (January 20, 1999)

As noted above, the Commission stated in its December 29 Order that it fully anticipated petitions for rate compliance to be filed due to indications from several of the large ILECs that they would do so after the trilogy was completed. As of January 20, the Commission had not received any such petitions; hence, it was necessary to open the three subdocket investigations. In Cause Nos. 40785-S1, S2, and S3, the Commission acted on its own motion to investigate Ameritech Indiana, GTE, and Sprint-United, respectively, to determine whether the companies' respective rates were in compliance with various portions of the TA-96 – especially Section 254(k) - and Commission directives related thereto. The subdockets will be discussed below.

Cause No. 40785-S1, Cause No. 41058 and Cause No. 40849 Opportunity Indiana 2000 (OI-2000) Settlement

Cause No. 40785-S1 was initiated on January 20, 1999 as the Commission's investigation into the rates of Ameritech Indiana to ensure conformance with the TA-96 and Commission directives. Cause No. 41058 is a complaint filed by the Citizens Action Coalition against Ameritech Indiana regarding the Company's earnings levels, as well as various issues related to the prices it charges for local exchange service, and the costs of providing this service. Cause No. 40849 is the docket that has been used to address Ameritech Indiana's requests for alternative regulation, Opportunity Indiana.

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[23] In its January 20, 1999, Order in Cause No. 40785 (page 19), the Commission clarified that it "did not intend to include the INECA members, or any company other than the federal price-cap companies. The rate compliance of the small companies will be addressed in future proceedings."

On April 29, 1999 in Cause No. 40785-S1, Ameritech Indiana filed its first cost study with the Commission that it represented complied with applicable Commission Orders. The Commission Staff reviewed the cost study and noted various problems. Based upon the Staff's review, the Commission directed the Company to refile its cost studies. On June 14, 1999, Ameritech Indiana filed the second iteration of its cost study; on July 6, 1999, the presiding officers issued a docket entry saying that the filing still did not comply with the Commission's orders and directives. On January 13, 2000, Ameritech Indiana filed the final iteration of its cost study designed to bring its retail rates and costs into compliance with the TA-96.

On April 13, 2000, Ameritech Indiana filed a proposal with the IURC for a new regulatory framework for various intrastate services and the associated rates and charges, called Opportunity Indiana 2000. Concurrently, Ameritech Indiana also withdrew the then-pending alternative regulatory proposal, OI-II, which had been filed in 1999. Finally, Ameritech Indiana requested that the Commission appoint a staff negotiating team to negotiate a resolution of all matters in and comprehensive settlement of the three cases mentioned above: Cause Nos. 40785-S1, 40849, and 41058.

These requests were discussed at an attorneys' conference conducted on April 14, 2000. At the attorney's conference, counsel for various parties made recommendations regarding the procedural status of the interrelated cases. On April 24, 2000, Ameritech Indiana, the OUCC, and Residential Customers (American Association of Retired Persons, Citizens Action Coalition of Indiana, Inc., and United Senior Action of Indiana, collectively) signed a stipulated procedural agreement that proposed two separate procedural schedules, depending on whether the settlement negotiations ultimately proved successful. This stipulation did not prejudice the right of any non-signatory party to oppose this negotiated schedule(s). One key feature of this procedural stipulation was that the parties would be given only 30 days in which to negotiate.

Negotiations did not conclude prior to the 30-day deadline, and the Commission granted a request for an extension of time in which to continue the negotiations. On June 30, 2000, the Commission Staff filed a notice that, in the event a settlement was reached, it would not be a signatory; Indiana Bell filed notice that a settlement had not been reached and that the Commission should begin the "litigation clock" for the litigation schedule.

On July 12, Ameritech Indiana, the OUCC, AT&T, and the Intelenet Commission filed a joint settlement agreement intending to resolve issues in: the rate rebalancing subdocket (Cause No. 40785-S1); the alternative regulatory case (Cause No. 40849); and the earnings and pricing complaint filed by the Residential Customers (Cause No. 41058). On August 3, the presiding officers issued a Docket Entry containing the procedural schedule for the Settling Parties and Non-Settling Parties to file their respective cases. The Settling Parties have until September 14, 2000 to file their rebuttal. The hearing in the consolidated cases will be scheduled by subsequent Docket Entry of the Commission.

40785-S2 Settlement

Negotiations with GTE also led to a settlement agreement between GTE, the OUCC, AT&T, and the Commission Staff. The agreement was filed on December 1, 1999. A Revised Stipulation and Settlement Agreement was signed on January 13, 2000

The settlement agreement brings GTE's rates and charges closer to compliance with TA-96.

Key features of the GTE revised agreement included the following:

Scope of Agreement

- Finite duration;
- Moves rates toward being "cost-based" but does not complete the process (potential for further review of rates)
- Rate reductions are in two phases. The overall revenue impact from the Phase I reductions is $31,293,964; for Phase II, the corresponding revenue impact due to rate reductions could be as much as $32,024,676.

Local Rate Restructuring and Rate Reductions

- Elimination of a separate charge for "Touch Call" dialing (was $0.75 per month to $2.00 per month for residential customers and $1.50 to $3.00 per month for business customers)
- Restructuring and simplifying rate groups (from 39 different rate groups spread across three operating units (GTE, Contel, and Alltel) to five common rate groups for residential customers and one single rate group for business customers); consolidation of local exchange rates for three GTE North operating units (GTE, Contel, and Alltel) into one set of common rates in a single intrastate tariff.
- Reductions in local exchange rates. The new rate design results in either reductions in local exchange rates or no net changes for 97.75% of residential customers, 62.65% of single-line business customers and 73.86% of customers. Approximately 2.25% of residential customers, 37.35% of single-line business customers, and 26.14% of multi-line business customers were expected to receive rate increases. For residential customers, decreases range from $0.01 to $10.86 per month, while the increases range from $0.09 to $4.82 per month. For single-line business customers, decreases range from $1.27 to $32.63 per month, while the increases range from $1.52 to $18.47 per month. Finally, for multi-line business customers, the ranges were from $0.14 to $50.39 (decreases) and from $0.15 to $28.59 per month (increases). The total annual revenue impact from the decreases is projected to be $8,934,500 for residential customers; $5,692,185 for single-line business customers; and $6,096,169 for multi-line business customers.
- Eliminated the monthly intrastate end user charge for residential customers.

EAS Rates

- Eliminates the EAS distance rate additives. These additives range from $0.15 to $0.57.
- Eliminates the existing EAS surcharge for six specified exchanges. The total revenue impact is estimated to be $269,226.
- Limited EAS Service Expanded to full EAS. Under limited EAS (also called "free service), the number of toll-free local trunks was limited to a small, pre-determined number of trunks. Customers could take advantage of the toll-free local calling until the trunk capacity was reached. Once this happened, customers had the option of either waiting for a trunk to become available or placing a normal toll call. Under the settlement agreement, all of the limited EAS routes will be transitioned to full EAS over an 18-month period. Implementation of the plan will result in an estimated toll revenue reduction of $299,622.

IntraLATA Toll Rates

- The rate reductions will result in an estimated annual revenue reduction of $2,022,750, in comparison to demand and rates in effect at the end of 1999. Reductions will be split between basic toll rates and discounted calling plans, with the vast majority of the reductions going toward basic (MTS) rates.

Access Charge Reform

- A four-phase reduction in intrastate carrier line charge rates (CCLC), resulting in an estimated revenue reduction of $28,200,000, based upon revenues from late 1999;
- Blending of the intrastate traffic sensitive rates on a revenue neutral basis for GTE North, Contel, and ALLTEL intrastate traffic; including the elimination of several traffic sensitive rate elements.
- Blending of intrastate special access rates for the three GTE entities.
- GTE will no longer mirror interstate access charges in Indiana, effective December 31, 1999.
- agreement by AT&T to flow-through those sizeable intrastate access charge reductions by reducing their rates for intrastate toll service, equal to or in excess of the actual reductions in intrastate carrier access charge rate levels charged by GTE to AT&T, within 90 days of a given reduction in GTE's access charges. Access charge reduction pass-throughs will be allocated to both residential and business customers, including low-volume interexchange customers who do not subscribe to an optional calling plan.

Improved Quality of Service

- implementation of amended service standards
- GTE agreed to pay penalties for violation of these service quality standards. For most types of violations, penalties may range up to $25,000 per violation. For a few specific types of violations, penalties may range up to $100,000 per violation.

Enhanced Opportunities for Local Competition

- If GTE does not experience at least $3 million in competitive losses in certain wholesale services for competitors in calendar year 2000, then the Company will make certain one-time customer credits equal to the difference in the actual losses and the $3 million threshold. These credits will be applied on an equal basis (per line) to both residential and single-line customers. Furthermore, if GTE does not experience at least $7 million in cumulative (for both 2000 and 2001) competitive losses, then GTE will make "permanent" rate reductions equal to the amount of the shortfall, for all business local exchange services.
- commitment to comply with the collocation terms and conditions required by the FCC's rules

Commitments to Universal Service

- Enhancements to existing programs for low-income subscribers
- Agreed to work with schools, libraries, and rural health care providers to assist them in understanding and participating in federal USF funding process
- Will not claim eligibility for state USF funding as a result of this settlement agreement.

Penalties and Enforcement

- GTE voluntarily agreed to pay monetary penalties for noncompliance with the terms of the Agreement. Specifically, if the Commission finds that GTE has failed to perform any of the obligations imposed upon GTE by the Settlement Agreement after notice and hearing, GTE agreed to take prompt corrective action, and if ordered by the Commission, pay a penalty for the failure to perform. Any penalty imposed by the Commission pursuant to this provision shall not exceed one million one hundred fifty thousand dollars ($1,150,000). Service quality violations are governed by a separate penalty schedule.

Further Litigation and Court Appeals

- GTE agreed to waive any claim of confiscation resulting from the Settlement Agreement and to withdraw its pending appeal to the Indiana Court of Appeals of the Commission's Section 254(k) Order in Cause No. 40785 (Oct. 28, 1998).

No Alternative Regulatory Plan

- The settlement agreement with GTE did not contain, and the Commission did not approve, an alternative regulatory plan for GTE.

Due to the complexity of the negotiations and of the agreement itself, it was necessary to revise the settlement agreement prior to the hearing in order to clarify several issues. A Revised Stipulation and Settlement Agreement was signed on January 13, 2000. The Commission held an evidentiary hearing on January 18, 2000, and approved the Revised Agreement (with slight modifications) in an Order issued on January 26, 2000.

40785-S3 Settlement

Negotiations with Sprint/United produced a settlement agreement, between Sprint/United, the Office of the Utility Consumer Counselor (OUCC), AT&T, and the Commission Staff. The agreement was filed on October 18, 1999. A Revised Stipulation and Settlement Agreement was signed on December 14, 1999, and filed on December 15, 1999. The Commission held a public evidentiary hearing on December 15 and approved the Agreement on December 29, 1999. No party to this proceeding opposed approval of the Settlement Agreement. "Having reviewed the Settlement Agreement and the evidence relating thereto and having considered all evidence submitted in this Cause, the Commission [found] that the Settlement Agreement is a fair and reasonable resolution of the issues and should be approved."

Key features of the Sprint/United revised agreement included the following:

Scope of Agreement

- Finite duration;
- Moves rates toward being "cost-based" but does not complete the process (potential for further review of rates)

Local Rate Restructuring

- restructuring and simplifying rate groups (from 12 retail rate groups to 3)
- Reductions in local exchange rates, resulting in a decrease in annual revenues of $13,114,759. The proposed rate design results in approximately 5% of residential customers receiving an increase in rates and approximately 95% of residential customers receiving a rate decrease. The increases to residential customer rates range from $0.08 to $.91 per month, while the decreases range from $0.08 to $6.09 per month. Approximately 58% of business customers will receive an increase in rates while approximately 42% will get a rate decrease. The increases to business customers range from $0.02 to $4.07 per month while the decreases range from $0.44 to $9.67 per month.
- Eliminated the monthly intrastate end user charge for residential customers.
- agreement to discontinue the EAS additive billing for the LaPaz exchange

Access Charge Reform

- significant carrier intrastate access charge reductions (the estimated revenue impact is greater than $5 million)
- agreement by Sprint Communications Company L.P. and AT&T to flow-through those sizeable intrastate access charge reductions by reducing their rates for intrastate toll service, on a dollar-for-dollar basis (as measured by average revenue per minute). Access charge reduction pass-throughs will be allocated to both residential and business customers, including low-volume interexchange customers who do not subscribe to an optional calling plan.

Improved Quality of Service

- implementation of amended service standards

Infrastructure Upgrades and Faster Deployment of Services

- 100% SS7/CLASS availability by December 31, 2002
- 100% local number portability (LNP) availability by December 31, 2002
- 100% ISDN central office availability by December 31, 2002

Enhanced Opportunities for Local Competition

- increased wholesale discount (from 9.92% to 15%) available to CLECs that may wish to resell, on a bundled basis, Sprint-United's retail telephone services; and
- commitment to comply with the collocation terms and conditions required by the FCC's rules

Commitments to Universal service

- enhancements to existing programs for low-income subscribers
- Agreed to work with schools, libraries, and rural health care providers to assist them in understanding and participating in federal USF funding process
- Will not claim eligibility for state USF funding as a result of this settlement agreement.

Penalties and Enforcement

- Sprint/United voluntarily agreed to pay monetary penalties for noncompliance with the terms of the Agreement. Specifically, "If after notice and hearing, the Commission finds that Sprint has failed to perform any of the obligations imposed upon Sprint by the Settlement Agreement, Sprint agrees to take any corrective action ordered by the Commission and, if ordered by the Commission, pay a penalty for the failure to perform. Any penalty imposed by the Commission pursuant to this provision shall not exceed two hundred thousand dollars ($200,000) per offense."

Further Litigation and Court Appeals

- Sprint also agreed to waive any claim of confiscation resulting from the Settlement Agreement and to withdraw its pending appeal to the Indiana Court of Appeals of the Commission's Section 254(k) Order in Cause No. 40785 (Oct. 28, 1998).

Alternative Regulatory Plan (ARP)

- Price cap for local exchange rates for four years;
- Price cap for the intrastate end user charge for primary and secondary residential and single line business customers for four years;
- Pricing flexibility for competitive services;
- Revenue-neutral price changes for non-competitive services also permitted, except those with price caps;
- The ARP may be reviewed after two years; and

- The Commission may order implementation of a price-cap formula that is adjusted annually for inflation minus a factor representing productivity growth.

7. AMERITECH INDIANA'S 271 PETITION / OSS INVESTIGATION (41657 & 41324)

OSS Investigation

On February 2, 2000, Ameritech Indiana filed its application to offer in-region, interLATA services under Section 271 of the Telecommunications Act of 1996 (TA-96).[24] Ameritech Indiana seeks in-region interLATA entry under Section 271(c)(1)(A) of TA-96, or "Track A" of Section 271. Track A approval requires the Bell Operating Company (BOC) to show: that it has entered into an interconnection agreement with a facilities-based competitor; that it meets the 14-point competitive checklist in Section 271(c)(2)(B);[25] that it will enter the interLATA market consistent with the terms of Section 272 (separate affiliate requirements and safeguards); and that entry is "consistent with the public interest, convenience and necessity."[26] Ameritech Indiana's application outlines a three phase approach: Phase 1, approve a regional independent third-party test of its Operational Support Systems (OSS)[27] and appropriate performance measures; Phase 2, review checklist compliance, including the "draft application," generic 271 agreement and performance assurance plan; and Phase 3, review final test report and actual performance results.

The IURC does not have ultimate decision-making authority concerning whether Ameritech Indiana may provide interLATA services in this state. This responsibility ultimately rests with the Federal Communications Commission (FCC). The IURC's role in this proceeding is largely determined by Section 271(d)(2)(b), which requires the FCC to consult with the relevant state commission to verify whether the BOC has one or more approved interconnection agreements with a facilities-based competitor, or a statement of generally available terms and conditions (SGAT), and that either the agreements or the SGAT satisfy the 14-point competitive checklist outlined in Section 271(c). Specifically, the state commissions have been delegated an essential role as the creator of the initial record upon which the FCC's review of a BOC's compliance with the Section 271 checklist will be based. The FCC has stated that "state commissions must conduct proceedings to develop a comprehensive factual record concerning BOC compliance with the requirements of section 271 and the status of local

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[24] Cause No. 41657, In the Matter of the Petition of Indiana Bell Telephone Company, Incorporated d/b/a Ameritech Indiana Pursuant to I.C. 8-1-2-61 For a Three Phase Process for Commission Review of Various Submissions of Ameritech Indiana to Show Compliance with Section 271(c) of the Telecommunications Act of 1996, February 2, 2000.

[25] The 14-point competitive checklist includes interconnection; access to Unbundled Network elements; access to poles, ducts, conduits and rights of way; access to unbundled local loops, transport and switching; access to 911, and e911, directory assistance/operator services; white pages listings; numbering administration, databases and associated signaling; number portability; local dialing parity; reciprocal compensation; and resale of telecommunications services.

[26] Application of Ameritech Michigan Pursuant to Section 271 of the Telecommunications Act of 1934, as amended, To Provide In-Region Inter-LATA Services in Michigan, CC Docket No. 97-137, FCC 97-298 ¶¶ 8, 9 (Aug. 19, 1997) (Ameritech Michigan Order).

[27] Operational Support Systems include the systems, databases, and personnel Ameritech Indiana uses to provide its interconnection, network elements, and resold services to CLECs. Specific OSS functionality includes pre-ordering, ordering and provisioning, maintenance and repair, and billing.

competition in advance of filing 271 applications [with the FCC]."[28] Based upon the strength of the record, the FCC has discretion in each 271 proceeding to determine the amount of weight to accord to the state commission's verification of the BOC's compliance with Section 271 (d)(2)(b). Most importantly, "where the state has conducted an exhaustive and rigorous investigation into the BOC's compliance with the checklist, we [the FCC] may give evidence submitted by the state commission substantial weight in making our decision."[29]

The FCC has highlighted the main elements of a successful Section 271 application which include: (1) full and open participation by all interested parties; (2) extensive independent third party testing of a BOC's OSS; (3) development of clearly defined performance measures and standards; and (4) adoption of a performance remedy plan to discourage backsliding once a BOC receives interLATA relief.[30]

With the FCC's guidance, the IURC has begun the initial steps to review Ameritech Indiana's 271 application. The IURC has focused much of its time on third-party testing since it is an essential element to any Section 271 application and the most time-consuming part of the process.[31] In general, a third-party test is used to test the operational readiness of a BOC's OSS and evaluate the documentation and other processes a BOC provides to CLECs. The third-party test also measures whether CLECs obtain nondiscriminatory access to the BOC's OSS. TA-96 and subsequent interpretations by the FCC have defined nondiscriminatory access for similar retail OSS operations as "substantially the same time and manner" and have defined nondiscriminatory access for OSS functions that have no retail equivalent as "sufficient to allow an efficient competitor a meaningful opportunity to compete."[32] The test is designed to measure whether a BOC's OSS can handle all types of orders at different capacity levels. A test administrator oversees the third-party test and usually validates the test design, monitors the test, validates the test results, and reports the results of testing. In Texas the test monitored actual carrier-to-carrier performance, while in New York the test used results from a pseudo-CLEC (a CLEC that is created solely

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[28] Application of Ameritech Michigan Pursuant to Section 271 of the Telecommunications Act of 1934, as amended, To Provide In-Region Inter-LATA Services in Michigan, CC Docket No. 97-137, FCC 97-298 ¶30 (Aug. 19, 1997) (Ameritech Michigan Order).

[29] Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act To Provide In-Region, InterLATA Services in the State of New York, CC Docket 99-295 ¶51 (released December 22, 1999) ("Bell Atlantic New York Order").

[30] Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act To Provide In-Region, InterLATA Services in the State of New York, CC Docket 99-295 ¶ 8, released December 22, 1999 ("Bell Atlantic New York Order), and Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 to Provide In-Region, InterLATA Services in Texas, CC Docket 00-65 ¶ 3, released June 30, 1999 ("Texas Order").

[31] To assist the Commission in analyzing Ameritech Indiana's application, the Commission has hired staff of the National Regulatory Research Institute and Maxim Telecom Consulting Group (MTG). Both have been involved in the process for Qwest's (formerly U.S. West) bid for interLATA services in 13 of the 14 Qwest states and MTG was involved in the Bell Atlantic third-party test in New York.

[32] Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act To Provide In-Region, InterLATA Services in the State of New York, CC Docket 99-295 ¶¶ 85, 86, released December 22, 1999 ("Bell Atlantic New York Order).

for testing purposes) that sends in different types of orders at different volumes to supplement carrier-to-carrier results.[33]

Significant progress has been made in other Ameritech states (Ohio, Wisconsin, Michigan, and Illinois) developing different components of a third-party test, such as a statement of principles which guide the third-party test, performance measurements which show if Ameritech Indiana is providing nondiscriminatory access of its OSS to CLECs,[34] a master test plan which sets the critical details of a proper test, and a performance penalty plan which prevents backsliding after Ameritech Indiana's 271 application is approved. Each of these items is being brought to Indiana, discussed in collaborative sessions (collaboratives have been held on July 11, July 25, September 5, and September 11) and then sent to the Commission for final approval. The Commission hired John Kern to coordinate and facilitate the collaboratives and send reports to the Commission.[35] On July 28, 2000, Mr. Kern sent the Commission a status report entitled Joint Progress Report, Statement of Principles, Issues Matrix, and Proposal for Procedural Order (Joint Report) developed by parties in the collaborative. The Joint Report covers a broad range of topics including a description of necessary upgrades to Ameritech's OSS and a timetable for completion of the upgrades prior to the completion of third-party testing, a description of products and services Ameritech Indiana will offer prior to the completion of third-party testing, a process for upgrading performance measures, the choice of a third-party testing administrator (KPMG Consulting LLC), the choice of a pseudo-CLEC (Hewlett-Packard), the choice of an initial master test plan which is based on Michigan's master test plan, a description of a dispute resolution process, and a description of various procedural issues.

After examining the Joint Report, the Commission was pleased with the conduct and progress of the collaborative process. However, there were some areas of concern based on the IURC's review of the document. The IURC's feedback, which is outlined in the Commission's August 29 Order, falls into the following three areas. First, the IURC responded to recommendations in the Joint Report, which require Commission approval and action. For example, the IURC directed Ameritech Indiana to retain KPMG Consulting LLC to serve as the third-party OSS Test Administrator and Hewlett Packard to serve as the pseudo-CLEC. Second, the IURC identified specific language in the Joint Report that the Commission either clarified or asked the parties to clarify. Third, the Commission identified areas that it would like the parties to address in future collaborative sessions but prior to the submission of a master test plan

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[33] The use of a pseudo-CLEC is usually necessary since there is insufficient CLEC activity for commercial volumes to be probative.

[34] The Commission has an ongoing proceeding to develop performance measurements for Sprint, GTE, and Ameritech Indiana, Cause No. 41324. The Commission has completed Phase 1 and parties used technical workshops to develop interim performance measures for Sprint-United, GTE, and Ameritech Indiana for Phase 2. Phase 3 is determining the costs for services arising from OSS such as service ordering. GTE and Sprint are using interim performance measures developed in California. Ameritech Indiana's performance measures largely mirror the measures developed in Texas as part of their section 271 case. The parties in Cause No. 41324 have agreed to update these measures in the context of Cause No. 41657. In a docket entry dated July 10, 2000, the Commission decided to move Ameritech Indiana's portion of Cause No. 41324 to Cause No. 41657.

[35] Mr. Kern is operating in the same role for Wisconsin, Michigan, and Ohio.

("MTP") for OSS third-party testing. Their areas included regional aspects of third-party testing and Ameritech's OSS; performance measures; performance measure audit; openness and blindness; and vendor roles and responsibilities, among other things. To the extent not specifically addressed in the August 29 Order, the Commission found it appropriate to accept the recommendations contained in the Joint Report into the record of this Cause.

8. NUMBERING ADMINISTRATION

Many states in the nation, as well as our Canadian neighbor to the north, are facing rapid depletion of useable telephone numbers, necessitating the implementation of new area codes or numbering plan areas (NPA). According to the most recent Central Office Code Utilization Study (COCUS), which is conducted annually by the North American Numbering Plan Administrator (NANPA), 116 NPAs in 42 states are projected to exhaust over the next three years.[36] When the North American Numbering Plan (NANP) was instituted in 1947 there were 83 original NPAs or area codes. From 1991 through August 1, 2000, the number of NPAs in the United States grew from 115 to 238. After taking more than fifty years to reach over 100, the number of NPAs has more than doubled in less than ten years. New area codes impact telecommunications customers by requiring either a change in customers' telephone numbers or ten-digit dialing for all telephone calls, including those made within a local calling scope.

Unfortunately, Indiana has not been spared this problem. To date Indiana has only implemented one new NPA since the NANP was established;[37] however, all four of the state's current NPAs are projected to exhaust in the next five years, with 219 NPA in northern Indiana and 317 NPA in central Indiana both projected to need area code relief in the next two years.[38] The IURC received a letter on August 19, 1999, from the NANPA indicating the need to begin area code relief planning for the 219 NPA. In an effort to address this situation in Indiana, the IURC initiated on September 9, 1999, an investigation under Cause No. 41535 to explore the exhaustion of numbering resources in the state, concentrating its efforts initially on the 219 NPA.[39]

At the time the IURC opened the Cause No. 41535 investigation, the FCC, pursuant to its interpretation of federal law, limited the IURC's and other state utility commissions' jurisdiction over numbering administration matters. Specifically, state utility commissions could only determine the type and time frame for implementation of new area codes, and were prohibited from implementing state specific numbering resource assignment or management measures, which could potentially serve to extend the life of an existing NPA.[40] However, during the spring of 1999, five state utility commissions,

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[36] 2000 Central Office Code Utilization Survey and NPA Exhaust Analysis, which was published May 23, 2000 by Lockheed Martin/NeuStar, the current North American Numbering Plan Administrator.

[37] In 1996, the 317 NPA, which then covered the middle third of the state was geographically split, with the 317 NPA being associated with the Indianapolis metropolitan area and adjacent counties and the new 765 NPA covering the remainder of the old 317 NPA, Cause No. 40525, November 13, 1996.

[38] 2000 Central Office Code Utilization Survey and NPA Exhaust Analysis, May 23, 2000.

[39] In Re: the Matter of an Investigation Initiated on the Commission's own Order Regarding the Projected Exhaustion of Allocable Telephone Numbers Within the Various Numbering Plan Areas (NPAs), Throughout the State, Cause No. 41535, September 9, 1999.

[40] Memorandum Opinion and Order and Order on Reconsideration, CC Docket No. 96-98, September 28, 1998.

petitioned the FCC for delegated authority to implement a variety of number conservation measures.[41] The FCC avoided acting on these states' petitions and instead attempted to address more generically the problems of rapidly exhausting numbering resources by issuing a Notice of Proposed Rulemaking on Number Resource Optimization (NRO NPRM) on June 5, 1999. The NRO NPRM dealt with some of the same numbering resource optimization measures that were requested by state petitions for delegated authority.[42] This rulemaking considered the adoption of a new national framework for numbering resource management, including numbering resource conservation measures.

In the months following the release of the NRO NPRM, five more state utility commissions filed petitions for delegated authority to address the problem in their states.[43] As of fall, 1999, the FCC had still not issued an order in the NRO NPRM proceeding. Therefore, on October 21, 1999, the IURC filed a petition for delegated authority with the FCC.[44] The FCC granted five state petitions for delegated authority to implement a variety of number conservation measures in September, 1999[45] and another five state petitions in November.[46]

While awaiting action by the FCC on its petition, the IURC continued with its investigation. The IURC staff issued data requests on September 19, 1999, January 14, 2000 and January 19, 2000 to telecommunications carriers operating in the state. These data requests asked for utilization and forecast data for numbering resources, which were needed in order to determine the appropriateness and feasibility of number conservation measures. To assist in conducting the investigation, the IURC retained the services of Charlotte TerKeurst, Vice President of Competitive Strategies Group, Ltd, to be an agent of the IURC. In this capacity, Ms. TerKeurst served to analyze the collected numbering utilization and forecast data, facilitate technical workshops, and file testimony on potential options for numbering resource conservation.

In its first procedural Order in the investigation, approved on February 17, 2000, the Commission established that the initial phase investigation would be concentrated on exploring number conservation options in the 219 NPA, before the NANPA's August 19, 1999, request to begin planning area code relief for that NPA would be considered. Additionally, the Order directed the parties to participate in technical workshops on February 18, 2000 and February 25, 2000, in order to discuss number conservation options

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[41] California Public Utilities Commission; Florida Public Service Commission; Massachusetts Department of Telecommunications and Energy; Maine Public Utilities Commission; New York State Department of Public Service.

[42] In the Matter of Numbering Resource Optimization, CC Docket No. 99-200, June 2, 1999.

[43] Public Utility Commission of Texas; Connecticut Department of Public Utility Control; New Hampshire Public Utility Commission; Ohio Public Utility Commission; Public Service Commission of Wisconsin.

[44] Indiana Utility Regulatory Commission's Petition for Delegated Authority to Implement Number Conservation Measures, DA 99-2456, NSD File No. L-99-82.

[45] California, Florida, Massachusetts, New York, and Maine.

[46] Connecticut, New Hampshire, Ohio, Texas, and Wisconsin.

generally and thousand-block number pooling specifically.[47] During the first workshop several numbering resources were identified for voluntary return by telecommunications carriers to the NANPA, which somewhat replenished the pool of available numbering resources in the 219 NPA. At the second workshop, participants discussed the feasibility and utility of thousand-block number pooling.

Although the investigation was to first deal with number conservation measures before consideration of area code relief, the Commission did conduct informational meetings with the public in the 219 NPA in order to educate the public on the area code relief issue. Also, public field hearings were held in order to receive the public's input on the appropriate type of area code relief for the 219 NPA, should the commission determine that it is necessary. The Commission's Public Information Officers held informational meetings in Crown Point and Gary on January 13, 2000, and January 14, 2000, respectively. Informational meetings were conducted in Fort Wayne on January 20-21, 2000 and in South Bend on January 27-28, 2000. The Commission also took public testimony on area code relief in Gary on February 29, 2000, at Taylor University on March 9, 2000 and in South Bend on March 16, 2000.

Even though the Commission took testimony from the public on the issue of appropriate area code relief in the 219 NPA, the initial testimony and comments of the parties in the Cause No. 41535 investigation were limited to number conservation issues. Following the technical workshops, Ms. TerKeurst filed direct testimony regarding number conservation measures, including thousand-block number pooling, on February 29, 2000. Other parties to this Cause filed responsive testimony on March 14, 2000.

On March 31, 2000, the FCC issued an order in the NRO NPRM (NRO Order) that set forth new policies on number resource management, including a framework for nation-wide thousand-block number pooling.[48] The order also outlined new directives to the NANPA for closer scrutiny of numbering resource applications as well as an expedited process for reclamation of unused numbering resources. Also, the NRO Order allowed states to petition the FCC to implement thousand-block number pooling outside the established time frame for the national roll out. The FCC also established specific criteria that needed to be met before granting state petitions for thousand block number pooling.[49]

None of Indiana's NPAs met the FCC criteria, and the IURC did not supplement its pending FCC petition to request authority to implement number pooling outside the time frame of the national roll out. Because the NRO Order was released after the filing of direct testimony on number conservation issues in the Cause No. 41535 investigation, parties were given the opportunity to supplement their testimony. Parties filed supplementary testimony on May 5, 2000.

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[47] Thousand-block number pooling allows for numbering resources to be distributed to carriers at a more granular level: carriers would be given telephone numbers in blocks of one thousand, instead of the current practice of a ten thousand numbers block.

[48] Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 99-200, March 31, 2000.

[49] The criteria are 1) the NPA is in jeopardy, 2) the NPA has at least one year of life span remaining, 3) the NPA is in one of the largest 100 MSA or the majority of the wireline carriers in the NPA are LNP capable.

On May 17, 2000, the Commission established a procedural framework for the next phase of the investigation to consider the appropriate form of area code relief for the 219 NPA. On June 1, 2000, the Commission conducted an evidentiary hearing to consider witnesses' direct testimony on number conservation measures.

On July 20, 2000, the FCC released an order (State Delegation Order) addressing the outstanding petitions filed by state utility commissions for delegated authority. Those states with NPA(s) meeting the criteria in the NRO Order were granted authority to implement thousand-block number pooling outside the national roll-out time frame. The FCC granted the IURC authority to audit carriers' use of numbering resources within the parameters established by the NRO Order. The FCC also granted the IURC authority to continuing rationing of numbering resources for up to six months following implementation of a new area code, as well as the authority to review the need for numbering resources outside the normal rationing process. The IURC was not granted authority to implement thousand-block number pooling outside the national roll-out time frame. The FCC did encourage the IURC to supplement its petition to implement thousand-block outside the national roll-out in the future consistent with the criteria in the NRO Order, if so desired.

Regrettably, the NRO Order and the State Delegation Order has not provided for a rapid or clear solution to the numbering resource exhaust problems. Even though the NRO Order was released by the FCC on March 31, 2000, it did not become effective until July 17, 2000, due to a delay in its publication in the Federal Register. Additionally, in the time between its release and the date it became effective, the NANPA, several telecommunications carriers and state commissions submitted questions to the FCC seeking clarification as to the intent and meaning of the NRO Order.[50] After consolidating the questions, the FCC issued a public notice containing answers to those questions on July 11,2000. Further clarification came on July 18, 2000 from the FCC in the form of a Letter Agreement (FCC Letter Agreement) with the NANPA, which significantly reduced the extent of the NANPA's review of numbering resource applications and appeared to relieve the NANPA of the duty to provide state commissions timely notifications of such applications or copies of the same. The FCC Letter Agreement was in response to the NANPA's request for additional funding to cover the costs it anticipates to encounter in implementing the new requirements of NANPA. The NANPA's reduced role, as clarified in the FCC Letter Agreement, may serve to control the costs of implementing the NRO Order, but it appears to also reduce the scrutiny of the numbering resource applications. The staff from several state utility commissions perceived inconsistencies between the NRO Order and the FCC Letter Agreement and asked the FCC for an opinion about these potentially conflicting policy directives.[51] The State Coordinating Group, comprised of state commission staff members, is preparing to submit clarifying questions to the

[50] Letter from Megan L. Campbell, Alliance for Telecommunications Industry Solutions (ATIS), to Charles Keller, FCC dated May, 5, 2000; Letter from May Y. Chan, GTE, to Magalie R. Salas, FCC, dated June 13; Letters from Fred Goodwin, SBC, to L. Charles Keller, FCC dated June 1, 2000 and June 8, 2000; Letter from Trina Bragdon, Maine Public Utilities Commission, to Magalie Roman Salas, FCC, dated April, 1, 2000.

[51] California, Connecticut, Florida, Indiana, Maine, New York, Massachusetts, North Carolina, Texas, and Washington.

FCC, to be followed up with a conference call. On August 4, 2000, the Commission issued a Docket Entry that allowed the parties in Cause No. 41535 to file comments and testimony in light of the clarifying documents distributed since the release of the NRO Order.

In the area code relief phase of the investigation, parties have filed direct testimony on the issue of exhaustion of allocable telephone numbers and relief for the 219 NPA. Rebuttal testimony is to be filed on or before August 18, 2000. An evidentiary hearing is scheduled for September 19, 2000.

— UPDATES —

9. WHOLESALE TARIFFS

The Telecommunications Act of 1996 requires ILECs "to offer for resale at wholesale rates any telecommunication service that the carrier provides at retail to subscribers who are not telecommunications carriers."[52] Under the TA-96, wholesale rates are based on retail rates "excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier." [53]

On July 1, 1996, the Commission issued an Interim Order on Bundled Resale and Other Issues in Cause No. 39983, setting forth the terms and conditions for permitting the resale of local exchange services and ordering affected local exchange companies to file their wholesale tariffs on or before July 24, 1996.[54] On December 18, 1996, the Commission established across-the-board interim wholesale discounts from existing retail rates subject to true-up for both Ameritech Indiana (21 percent discount) and GTE (17 percent discount) and required Ameritech Indiana and GTE to submit new wholesale tariffs. On October 15, 1997, the Commission issued its Order on Final Reconsideration and further directed that interim wholesale tariffs be filed. The Commission approved the interim wholesale tariffs of Ameritech Indiana and GTE on October 27, 1997, and December 19, 1997, respectively. Additionally, the Commission initiated investigations to establish permanent wholesale rates for Ameritech Indiana (Cause No. 41055) on November 19, 1997, and for GTE (Cause No. 41117) on February 4, 1998.

On February 25, 1999, the Commission set final wholesale discounts for Ameritech Indiana. For carriers that request operator services/directory assistance the wholesale discount was 21.46% and for carriers that do not request operator services/directory assistance the wholesale discount was 25.04%. On March 17, 1999, Ameritech Indiana filed a Petition for Reconsideration and Request claiming the bifurcated discount was administratively burdensome and the calculation for carriers that do not provider operator services/directory assistance was incorrect. On April 21, 1999, the Commission reduced the rate for carriers that do not request operator services/directory assistance to 22.13% and allowed Ameritech Indiana to simplify its wholesale tariff. The Commission approved Ameritech Indiana's wholesale tariff on May 14, 1999.

On October 21, 2000, the Commission set final wholesale discounts for GTE.[55] For carriers that request operator services/directory assistance the wholesale discount is 19.58% and for carriers that do not request operator services/directory assistance the wholesale discount is 22.30%. The Commission approved GTE's wholesale tariff on January 27, 2000.

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[52] Section 252(d)(3).

[53] Id.

[54] Cause No. 39983, In the Matter of the Investigation on the Commission's Own Motion Into Any and All Matters Relating to Local Telephone Exchange Competition Within the State of Indiana, July 1, 1996.

[55] Cause No. 41117, In the Matter of the Commission Investigation and Generic Proceedings on Wholesale Rates for GTE North Incorporated and Contel of the South Incorporated Under the Telecommunications Act of 1996 and Related Indiana Statutes, October 21, 1999.

On July 18, 2000, the Eighth Circuit Court of Appeals ruled on a number of issues including the FCC's interpretation of 252(d)(3) which determines wholesale rates for retail services.[56] The 8th Circuit Court ruled that the FCC had misinterpreted the plain meaning of 254(d)(3) and that the determination of the wholesale rate includes costs that are actually avoided, not costs that can be avoided. Thus, the 8th Circuit Court vacated 47 CFR §51.509(b) and remanded the issue back to the FCC. It is unclear at this time what effect the 8th Circuit Court's decision will have for either the FCC or the IURC. At the federal level, it is anticipated that various parties will file their respective positions with the FCC, the court, or both. At the state level, it is also possible that one or more parties will file positions with the IURC.

[56] Iowa Utilities Board v. FCC (8th Circ. Ct., Filed, July 18, 2000).

10. INTERCONNECTION AGREEMENTS (NUMBERS)

The TA-96 requires ILECs to interconnect their respective telephone networks with the networks and facilities of potential local competitors; unbundle their local networks into smaller components; and make their retail services available to competitors for resale. ILECs have an affirmative duty to negotiate the terms, conditions, rates and charges of interconnection with potential competitors.[57] In cases where the parties are unable to reach agreement on issues involving interconnection, Congress provided state commissions the means to resolve the disputes through either mediation or arbitration. Once agreements have been reached, either through voluntary negotiation or arbitration, those agreements must be filed with the appropriate state commission for approval.[58] The TA-96 sets forth certain procedural requirements for negotiations and arbitrations and provides standards for review and approval or rejection of the agreements.

The Commission contracted with an outside arbitration facilitator, Ms. Mary Hinrichs, to arbitrate unresolved issues with the assistance of members of the Commission's technical staff for cases filed before January 1997. For cases filed after January 1997 and up to June 2000, the Commission's administrative law judges resolved arbitrations similar to other docketed cases. On June 23, 2000 in Cause No. 40571-INT-03, AT&T filed a request for arbitration with Ameritech Indiana. Mr. John Kern, a consultant under contract with the Commission, will act as the arbitrator. Pursuant to agreement of the parties for a 30-day extension of the arbitration period, an arbitration order must be issued by the Commission on or before November 19, 2000.

As of July 31, 2000, the Commission had received 37 requests for arbitration under the TA-96 (30 involved Ameritech Indiana; 6 involved GTE; and 1 involved Cincinnati Bell Telephone).

In addition to the arbitrated agreements, the Commission received 82 voluntarily negotiated agreements between Ameritech Indiana and potential local competitors; 54 between GTE and potential local competitors; 24 between United Telephone (Sprint-United) and potential local competitors; 6 between TDS Telecom and potential competitors; 2 between CenturyTel and wireless carriers; 3 Extended Area Service agreements between RTC Communications and Swayzee Telephone Company, Inc., Mulberry Coop. Telephone Company, Inc. and Geetingsville Telephone Company, Inc.; and 4 between CBT and potential competitors. In addition, the Commission has received 59 requests to approve the adoption of interconnection agreements under the provisions of Section 252(i) of the TA-96.[59] As of July 31, 2000, the Commission has approved 76 Ameritech Indiana, 51 GTE, 19 Sprint-

[57] Congress established pricing standards for the prices which the competitor must pay the ILEC and, in limited circumstances, for the prices which the ILEC must pay the competitor. Most of these pricing standards are contained in Section 252(d) of the Act.

[58] These agreements may be relatively simple and resolve a small number of issues, or even a single issue; alternatively, they may resolve over one hundred issues and cover several hundred pages.

[59] Pursuant to the TA-96 Section 252(i), an ILEC must make available to requesting telecommunications carriers all individual interconnection, service, or network element arrangements contained in any approved agreement to which it is a party, upon the same terms and conditions as those provided in the agreement.

United and 4 CBT voluntarily negotiated agreements. Additionally, the Commission approved the adoption of 48 interconnection agreements under Section 252(i) of the TA-96.

11. COST INVESTIGATIONS FOR INTERCONNECTION AND UNBUNDLED NETWORK ELEMENTS (UNEs)

One strategy of entry into the Indiana local exchange market a facilities-based carrier may choose is interconnection of its own facilities with those of the incumbent local exchange carrier's existing telecommunications network. Pursuant to FCC cost orders and the TA-96, the Commission initiated cost study investigations for Ameritech Indiana and GTE in order to determine the level and structure of the rates necessary for competitive interconnection. It is important for the Commission to establish competitive interconnection rates, because these rates provide the foundation for facilities-based competition, which many believe is the truest, most lasting form of competition, and tariffed rates provide certainty and predictability for potential market entrants, thereby making market entry in Indiana more attractive.

Section 252(d)(1) of the TA-96 requires state commissions to determine "just and reasonable" rates for interconnection and UNEs "based on the cost determined without reference to a rate-of-return or other rate-based proceeding." That section also requires that such rates must be nondiscriminatory and may include a reasonable profit. Similarly, Section 252(d)(2) requires state commissions to set just and reasonable charges for transport and termination of traffic to provide for the recovery of costs associated with the transport and termination of calls on a carrier's network that originate on the network facilities of another carrier. Finally, Section 251(c)(6) prescribes that rates for collocation must be just, reasonable and nondiscriminatory.

The FCC determined that the appropriate cost on which prices should be based was the forward-looking economic cost of providing each element, which is the sum of the total element long-run incremental cost (TELRIC), the non-volume sensitive costs, and a reasonable allocation of forward-looking joint and common costs.[60] Incremental costs are the additional costs a firm will incur as a result of expanding the output of a good or service by producing an additional quantity of the good or service. The term "long run" means a period of time long enough such that all of a firm's costs are variable or avoidable. The FCC's pricing methodology for unbundled elements is based on the most efficient technology deployed in the incumbent LEC's existing wire center locations.

According to the FCC, use of a forward-looking cost methodology (TELRIC) attempts to simulate the conditions in a competitive marketplace, allowing the new entrant to produce its product efficiently and to compete effectively, thereby driving retail prices to competitive levels. Consistent with Section 252(d)(1) of the TA-96, the FCC rejected the argument that unbundled elements should be priced

[60] The 1997 Iowa Utilities Board decision invalidated the FCC rules that referenced the TELRIC methodology. Iowa Utilities Board v. FCC, 120 F.3d 753 (8th Cir. 1997), cert. granted. However, that decision was overturned by the United States Supreme Court Ruling dated January 25, 1999. AT&T Corp. et al. v. Iowa Utilities Board et al., 119 S. Ct. 721, 142 L.Ed.2d 834 (1999).

on an embedded cost basis, stating that basing the prices for unbundled elements on embedded costs would not promote competition.

The compressed schedules established by the TA-96 for arbitration of interconnection agreements did not allow the Commission sufficient time to evaluate Ameritech Indiana's or GTE's cost studies and establish permanent rates. Thus, the Commission set interim rates subject to true up pending further investigation.

The Commission's investigation of GTE and Ameritech Indiana's cost studies considered a number of issues including, but not limited to, general costing methodology, cost of capital, fill factors (amount of capacity in the network), depreciation, switching costs, transport and signaling, allocation of shared and common costs, non-recurring charges and recovery of stranded costs. Although the 1997 Iowa Utilities Board decision invalidated the FCC rules, nothing in the decision prevented a state from adopting the TELRIC methodology. In fact, GTE and Ameritech Indiana purported to do cost studies based partly on the TELRIC methodology. Thus, in both cases the Commission referenced the FCC's TELRIC methodology to determine rates for unbundled network elements, interconnection and collocation.

The United States Supreme Court overturned the 1997 Iowa Utilities Board decision on January 25, 1999. The Supreme Court remanded certain issues back to the FCC and certain other issues to the 8th Circuit Court. On July 18, 2000, the 8th Circuit Court issued an opinion on certain remanded issues.[61] Among other things, the court found that the FCC could not base its methodology for calculating the prices for interconnection and unbundled network elements (UNEs) that ILECs may charge competitors on a hypothetical or "most efficient" LEC network; rather, the FCC must consider "the cost of providing the actual (ILEC) facilities and equipment that will be used by the competitor." The court vacated the corresponding FCC rule, Rule 51.505(b)(1), as well as the ILECs' claims that they were entitled to recover the historical costs of their facilities used to provide interconnection and UNEs. The Court summarized the relationship between these findings as follows: "A forward-looking cost calculation methodology that is based on the incremental costs that an ILEC actually incurs or will incur in providing the interconnection to its network or the unbundled access to its specific network elements requested by a competitor will produce rates that comply with the statutory requirements of §252(d)(1) that an ILEC recover its 'cost' of providing the shared items."[62] The court also rejected the ILECs' claims that they were entitled to recover "universal service subsidies" through their rates and charges for interconnection and UNEs.

[61] Iowa Utilities Board, et al., v. FCC and U.S.A., No. 96-3321 (and consol. cases) (hereinafter, Iowa Utilities Board v. FCC) (8th Circ. Ct., Filed July 18, 2000).

[62] Id., at 12.

In addition, the 8th Circuit Court vacated the FCC's rules[63] that set forth procedures for state dommissions to add new UNEs to the national UNE list. Finally, the 8th Circuit reiterated its previous finding that vacated the FCC's so-called "superior quality rules," which required an ILEC to provide interconnection to competitors that is "superior" in quality to what the ILEC provides itself, a subsidiary, affiliate, or any other party.

It is unclear at this time what effect the 8th Circuit Court's decision will have on the implementation of Sections 251 and 252 of TA-96 – for either the FCC or the IURC. The current legal debate is over the specific details of the FCC's pricing methodology, not over the FCC's authority to establish such a methodology. The 8th Circuit Court found that, while the FCC has authority to establish the rules and methodologies, state commissions – such as the IURC – retain the authority to establish the rates and charges.

Cause No. 40618 (GTE Interconnection Costs)

On May 7, 1998, in Cause No. 40618, the Commission rejected major portions of GTE's proposed cost study because it did not follow the guidelines of the TA-96 and ordered GTE to submit a new cost study in 60 days. On May 27, 1998, GTE filed a Petition for Reconsideration, Rehearing and a Stay, and Request for Clarification of the Commission's Order. GTE filed revised cost studies on July 6, 1998. On July 8, 1998, the Commission issued an Order on Petition for Reconsideration and Rehearing, denying GTE's Petition. On September 30, 1998, AT&T and MCI filed Joint Comments with the Commission, responding to GTE's revised cost studies; US Xchange also filed responsive comments. GTE filed reply comments on October 30, 1998.

On March 1, 1999, GTE, AT&T, MCI Worldcom, and US Xchange filed comments with the Commission regarding the impact of the U.S. Supreme Court's January 25, 1999, decision in AT&T Corp. v. Iowa Utilities Board, as required by the Commission's February 15, 1999, docket entry.

On January 26, 2000, the Commission issued an Order on Cost Studies, based upon GTE's revised cost studies, as well as the subsequent comments. GTE filed its revised cost studies and compliance filing with the Commission on February 25, 2000. AT&T filed comments on March 27, 2000; GTE filed a response on April 14, 2000. The Commission is currently reviewing these responses, and an order is expected in the near future.

Cause No. 40611 (Ameritech Indiana Interconnection Costs)

On June 30, 1998, the Commission issued a decision in Ameritech Indiana's cost case. As it did for GTE, the Commission rejected much of Ameritech Indiana's initial cost study. On July 20, 1998, Ameritech Indiana filed its Petition for Rehearing and Reconsideration; on that same date, Ameritech

[63] 47 CFR 51.317.

Indiana also filed for a Stay of the Commission's order pending rehearing and reconsideration. On August 28, 1998 Ameritech Indiana filed revised cost studies. On January 26, 2000, the Commission issued its Order on Petitions for Reconsideration and Rehearing. Ameritech Indiana was ordered to file new cost studies consistent with the Order's findings within 30 days of January 26. Other parties were given 30 days from the date of Ameritech Indiana's filing to respond.

On February 2, 2000, an Attorneys' Conference was held and the Presiding Officers proffered certain questions to the parties regarding geographic deaveraging, line sharing, common transport, combination offerings, and Federal and Supreme Court decisions. On August 16, 2000, the Commission issued an Order in this Cause, finding that the rates and charges contained in the revised cost studies should receive final approval with the exception of shared transport and loop conditioning, which were approved on an interim basis, pending further order of the Commission. Ameritech Indiana was ordered to file a tariff with rates, charges, terms and conditions for basic UNE elements, including interim loop conditioning and shared transport, within 30 days. Parties may file comments within 20 days with the Commission regarding the extent to which the tariff adheres to relevant FCC or IURC orders. Ameritech Indiana may file reply comments within 20 days.

The Commission stated in the Order that it would continue its cost investigation in a subdocket in 40611, with the scope, issues to be addressed and procedural information to be provided in the near future.

Operational Support Systems Costs

In the cases involving interconnection costs for GTE and Ameritech Indiana, the Commission set interim rates for many operational functions (e.g., service ordering) until the completion of a full investigation of the companies' operational support systems ("OSS"). Because of a possible overlap of issues between the OSS investigation and the SBC/Ameritech Section 271 investigation, on May 26 and June 1, 2000, the Commission issued docket entries seeking comment from the parties in both proceedings (Cause Nos. 41324 and 41657) regarding the relationship between the causes. In addition, on June 30, 2000, Ms. Charlotte TerKeurst filed a Report in Cause No. 41324 as an investigator of the incumbent local exchange carriers' provision of OSS. On July 10, 2000, the Commission issued a Docket Entry in which it found that further proceedings in Cause No. 41324 should be deferred. Specifically, the OSS performance measures and other unresolved OSS issues applicable to Ameritech Indiana were postponed to allow time for those issues to be decided in Cause no. 41657, or until further order of the Commission. The OSS performance measures and other unresolved OSS issues applicable to Sprint and GTE were postponed until the OUCC or one or more Indiana CLECs request the Commission to resume Indiana OSS proceedings as to Sprint or GTE, or until further order of the Commission.

12. LOCAL EXCHANGE CTAs AND TARIFFS (NUMBERS)

Companies that intend to compete against incumbent providers in the local exchange market must request and be granted a Certificate of Territorial Authority (CTA) from the Commission. Some Competitive Local Exchange Carriers (CLECs) seek bundled resale authority; some seek facilities-based authority; and some seek both authorities. As of July 31, 2000, the Commission has issued a total of 140 bundled resale CTAs and 75 facilities-based CTAs; 38 CTA requests are pending.

In an order issued on September 9, 1999 the Commission approved an application form to be used by CLECs seeking a CTA for bundled resale of local exchange services. The purpose of the form is to expedite the processing of CTA applications. The Commission believes that this form will shorten the application and review process because the form clearly outlines the information to be presented. The form makes it easier for a carrier to petition the Commission and less time-consuming for staff to review the application.

As with incumbent local providers, all new entrants must have tariffs on file with the Commission that detail rates, terms and conditions associated with the services that they provide. In an effort to expedite this process, and to allow new entrants to render service more quickly, the IURC approved revised tariff approval procedures for CLECs seeking to provide local exchange service on a bundled resale basis, in an order dated September 9, 1999, in Cause Number 39983. These revised procedures allow a certified CLEC to adopt another certified CLEC's tariff, so long as such tariff has received final approval from the IURC. Additionally, that same order permits certified CLECs receive final approval of the rates and interim approval of the terms and conditions contained in the tariff one day after it is filed with the IURC.

Additionally in an effort to make tariffs available to the public in the most efficient manner, the IURC approved its General Administrative Order 1998-2 which requires that, "Any jurisdictional public utility having a website, or with a parent corporation with a website, shall place on that website the following information: (a) the public utility's effective Indiana jurisdictional tariff and (b) all pending tariff supplements and revisions."

13. FEDERAL COURT APPEALS

The principal goal of the TA-96 is the introduction of competition into the telecommunications industry, particularly into local telephone service. Competition is effectuated under TA-96 by requiring incumbent local exchange carriers (ILECs) to do the following: (1) permit a competitive local exchange carrier's (CLEC's) use of the ILEC's network via interconnection agreements; (2) allow a CLEC to purchase the incumbent's local telephone services at wholesale rates for resale by the CLEC; and (3) allow leasing of unbundled network elements of the incumbent's network.[64] The pricing rules for these interconnection agreements and unbundled network elements set by the Federal Communications Commission (FCC) and state regulators are critical to ensuring effective competition. Federal Court appeals of these pricing rules and other issues related to TA-96 have delayed the process of bringing competition to the telecommunications industry. These impediments to progress are some of the reasons that the many of the much-anticipated benefits of competition are not yet available in Indiana and across the country.

Appeal of the FCC's First Report and Order to the Eighth Circuit

On August 8, 1996, the FCC issued its First Report and Order (the first portion of the trilogy of interconnection, universal service, and access charge reform), which contained provisions designed to implement local competition, including certain pricing rules. Under the FCC's pricing rules, state commissions were preempted from using costing methodologies other than those authorized by the FCC.

Several parties, led by various incumbent LECs and state commissions, filed numerous challenges to the FCC's First Report and Order in federal circuit courts across the country. Challenges to the First Report and Order were consolidated in the Federal Court of Appeals for the Eight Circuit. In the Eight's Circuit's first opinion on the consolidated cases,[65] issued on July 19, 1997, the Court held that the FCC (1) exceeded its jurisdiction in promulgating various pricing rules; (2) exceeded its jurisdiction in promulgating 47 C.F.R. § 51.405, regarding rural exemptions; (3) exceeded its jurisdiction in promulgating 47 C.F.R. § 51.303, regarding preexisting agreements; and (4) rules relating to unbundling, including the superior quality rules and the combination of network elements rule, were contrary to the TA-96.

The United States Supreme Court took the case on appeal from the Eighth Circuit on January 26, 1998. The Supreme Court affirmed in part, reversed in part, and remanded the Eighth Circuit's Order.[66] The Supreme Court reversed the Eighth Circuit in part by holding that (1) the FCC had jurisdiction to design a pricing methodology; (2) the FCC had jurisdiction to promulgate rules pertaining to rural

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[64] *See* 47 U.S.C. § 251(c)(2)-(4).

[65] Iowa Utils. Bd. v. F.C.C., 120 F.3d 753 (8th Cir. 1997).

[66] AT& T Corp. v. Iowa Utils. Bd., 525 U.S. 366 (1999).

exemptions; and (3) the FCC has jurisdiction to promulgate rules regarding preexisting agreements. The Supreme Court also reversed the Eighth Circuit's decision to vacate 47 C.F.R. § 51.315(b). The Supreme Court did not address the parts of the Eighth Circuit's opinion vacating the superior quality rules, 47 C.F.R. § § 51.305(a)(4) and 51.311(c), and the additional combination of network elements rule, 47 C.F.R. § 51.315(c)-(f).

On remand from the Supreme Court, the Eighth Circuit issued an order on July 18, 2000.[67] The most critical aspects of this order are as follows:

- The FCC can mandate prices for unbundled network elements (UNEs) that are based on forward-looking, incremental costs, as long as those are not based on a hypothetical network but on the ILEC's actual network--the Circuit Court rejected the concept that cost recovery has to be based upon historical rather than forward-looking cost;
- The cost of supporting universal service cannot be included in the cost of UNEs;
- The court remanded the UNE price issue to the FCC. Thus, there is no basis for determining whether those prices are confiscatory (as claimed by the ILECs) and the Circuit Court found the issue was not ripe for review; and
- Resale rates must be modified to reflect costs that are *actually* avoided by an ILEC that is wholesaling its network, not those that might have been avoided if the ILEC was a pure wholesaler.

The issues in this case remain unsettled. On August 30, 2000, the FCC asked for a stay and review of the decision by the U.S. Supreme Court. Meanwhile, the FCC and state officials have been actively discussing the decision and its ramifications. Even if the Eighth Circuit's latest decision stands, the FCC must still revisit its pricing methodology on remand. The IURC and other states must then set prices based upon the FCC's new methodology.

Appeal of Arbitrated Interconnection Orders in Federal Court

When telecommunications carriers are unsatisfied with the commission's arbitration decisions relating to interconnection agreements, they may file suit in the United States District Court for the Southern District of Indiana pursuant to Section 252(e)(6) of TA-96.

In response to the interconnection mandates of TA-96, Ameritech Indiana and AT&T engaged in interconnection negotiations which were not entirely successful. The parties submitted to arbitration by the Commission of certain unresolved issues. The Commission conducted arbitrations and approved an executed agreement between Ameritech Indiana and various other parties on March 26, 1997. Ameritech Indiana filed a complaint against AT&T and the Commission in federal district court on April 25, 1997. In its appeal, Ameritech Indiana argues primarily that it will receive inadequate compensation for certain services and that the Commission erred in adopting AT&T's anti-publicity clause. The Indiana Attorney

[67] Iowa Utils. Bd. v. F.C.C., 219 F.3d 744 (8th Cir. 2000).

General's Office filed a motion to dismiss the case on behalf of the Commission, arguing that because the State of Indiana had not consented to suit in this action and Congress did not abrogate the State's immunity in passing TA-96, Ameritech Indiana is barred by the Eleventh Amendment from suing the State in federal district court. In July 1998, the district court denied the motion, finding that the Eleventh Amendment does not bar judicial review in federal court under Section 252(e)(6). Ameritech Indiana filed its brief on December 3, 1998. The Attorney General's Office has no plans to file a brief, as it has determined that the case involves mainly the telecommunication carriers' battle over the terms of the interconnection agreement. As of September 6, 2000, the federal district court has made no decision in the case.

Ameritech and Time Warner entered into an interconnection agreement on July 12, 1996. The agreement provided for the payment of reciprocal compensation between Time Warner and Ameritech for the transport and termination on their respective networks of all local traffic exchange between them. Time Warner alleged that in the last year, Ameritech took the position throughout its region that CLECs are not entitled to reciprocal compensation for termination of Internet Service Provider (ISP) traffic originated by Ameritech's customers. In response, CLECs have challenged Ameritech's position in proceedings in Illinois, Michigan, Wisconsin, and Ohio, and Ameritech's position has been rejected in each of these states. On January 2, 1998, Time Warner Communications of Indiana filed a complaint with the Commission against Indiana Bell d/b/a Ameritech Indiana seeking to enforce the terms and conditions of the parties' interconnection agreement as it relates to payments of reciprocal compensation for ISP traffic.

On February 3, 1999, the Commission issued an order finding that (1) ISP traffic qualify as local traffic under the interconnection agreement; (2) treatment of ISP traffic as local traffic is consistent with the FCC's orders; while not binding on this Commission, the analysis and result of 21 other state commissions resulted in the same conclusion. Ameritech was ordered to pay applicable reciprocal compensation and procedure monthly traffic reports to the Commission.

Ameritech filed a complaint in federal district court on July 6, 1999 alleging that the IURC order wrongfully requires Ameritech Indiana to pay reciprocal compensation to Time Warner with respect to calls placed to ISPs and is contrary to TA'96.[68] On January 18, 2000, the court granted Time Warner's motion for time to respond to the complaint, and extended it until twenty days after the decision in the Seventh Circuit's case from MCI Telecommunications Corp v. Illinois Commerce Comm'n.

[68] Indiana Bell Telephone Co. d/b/a Ameritech Indiana v. Time Warner Telecommunications of Indiana, L.P. and G. Richard Klein, William D. McCarty, Judith G. Ripley, Camie Swanson-Hull, and David Ziegner (in their Official Capacities as Commissioners of the Indiana Uitlity Regulatory Comm'n), U.S. District Court, Southern District of Indiana, Cause No. IP99-C-1034-M/S.

Telephone Company Billing Practices – "Truth-in-Billing"

On June 2, 1998 in Cause No. 41189, the OUCC petitioned the IURC to open a generic investigation regarding telecommunication companies billing disclosure practices. In the interim, on April 15, 1999, the FCC adopted its "truth-in-billing" order, which established national billing rules applicable to all telecommunications carriers. On May 25, 1999, the IURC initiated a rulemaking to update Indiana's current billing rules to largely mirror the FCC's new federal rules, since the federal rules addressed many of the concerns that motivated the OUCC's original filing in this matter. Also in response to this change in federal law, on June 15, 1999, the OUCC filed a Motion for Change of Substance of Relief Requested from a Commission investigation to a rulemaking procedure. On September 9, 1999, the Commission dismissed its investigation into telephone company billing practices in favor of addressing these issues in the Commission's pending rulemaking. The purpose of this rulemaking was to amend the Indiana Utility Regulatory Commission's current telephone billing rule, found at 170 IAC 7-1.1-12, to add "truth-in-billing" guidelines that ensure consumers receive thorough, accurate and understandable bills from their telecommunications carriers.

The FCC Order established the following general truth-in-billing principles that will assist consumers in determining whether they have been "slammed" or "crammed" by unscrupulous providers of telecommunications service:

(1) consumer telephone bills must be clearly organized, clearly identify the service provider, and highlight any new providers;
(2) bills must contain full and non-misleading descriptions of the services and charges that appear therein; and
(3) bills must contain clear and conspicuous disclosure of any information the consumer may need to make inquiries about, or contest charges, on the bill.

The FCC found that these truth-in-billing principles apply to both interstate and intrastate services. Similar to the FCC's earlier slamming rules, the FCC's Truth-in-Billing Order establishes a national floor, and allows states to develop rules that are more stringent than those presented in the FCC Order.

Interested parties who filed comments on the proposed rule presented several issues that were not resolved in this rulemaking. Therefore, the Commission determined that the truth-in-billing rulemaking would be a two-phase process.

The first phase of this process is the completed LSA Document #99-102(F)/IURC RM #99-04, which became effective on July 8, 2000. In this first rulemaking, the basic framework for the truth-in-billing rule is set forth, addressing the following issues:

(1) descriptions of billed charges;
(2) identification of service providers;
(3) clear and conspicuous notification of any change in service providers; and
(4) clear and conspicuous disclosure of inquiry contacts.

This rule also contains provisions relating to the following:

(1) a waiver of the detailed billing requirements of the rule for business customers who consent to the waiver in writing;
(2) a mechanism for telephone service providers serving less than forty thousand (40,000) local exchange access lines in Indiana to petition the Commission for an exemption from the detailed billing requirements for good cause shown; and
(3) a provision that the detailed billing requirements of the rule become effective on December 31, 2000.

The next phase of this billing rule revision will be a second rulemaking that will address the more complex issues relating to truth-in-billing, specifically (1) deniable and non-deniable charges;[73] (2) partial payments; and (3) disconnection. The Commission's Telecommunications Division and the Consumer Affairs Division are currently actively leading a workgroup with telecommunications industry representatives and the OUCC to draft the second phase of the truth-in-billing rule (Phase II – Standards of Service for Telephone Companies). A draft proposal from this workgroup is expected in mid-August, 2000.

[73] Under the FCC Order, when carriers provide services in addition to basic local exchange service, the carriers must clarify when non-payment for service would result in disconnection of basic local exchange service. Carriers must differentiate between "deniable" charges, i.e., charges that if not paid could result in disconnection of basic local exchange service and "non-deniable" charges, i.e., charges that if not paid would not result in disconnection of basic local exchange service.

15. UNIVERSAL SERVICE (NUMBERS; LIFELINE/LINK UP/IHCF/TDWF)

Universal service has always been an important issue in the telecommunications industry. The concept of universal service often assumes the widespread availability of certain telephone services at reasonable rates. As far back as 1934, Congress declared that:

> "[T]he Federal Communications Commission shall regulate interstate telecommunications service so as to make available, so far as possible, to all people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, a rapid, efficient, Nationwide, and world-wide wire and radio communications service with adequate facilities at reasonable charges, for the purpose of the national defense, . . " [74]

More recently, as a part of TA-96, Congress required that:

> Consumers in all regions of the Nation, including low income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services. . . that are reasonably comparable to those services that are provided in urban areas and that are available at rates that are reasonably comparable to rates for similar services in urban areas. 47 U.S.C. 254(b)(3).

Furthermore, the FCC and the States are required to "ensure that universal service is available at rates that are just, reasonable, and affordable."[75] In Indiana, the General Assembly declared that "[t]he maintenance of universal telephone service is a continuing goal of the commission in the exercise of its jurisdiction." [76]

The TA-96 seeks to advance and preserve universal service by empowering the FCC to develop a minimum definition of universal service and establish federal support mechanisms. States will remain responsible for implementing universal service in intrastate services.

Lifeline and Link Up Indiana

Description of Programs

At the present time, the IURC and Indiana incumbent local exchange carriers (ILECs) participate in two federal programs, Lifeline and Link Up.[77] At a minimum, Lifeline service "must include the following services: single-party service; voice grade access to the public switched telephone network;

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[74] Communications Act of 1934 as amended by the Telecommunications Act of 1996, 47 U.S.C. 151.

[75] 47 U.S.C. 254(i).

[76] I.C. 8-1-2.6-1(1).

[77] The guidelines for the Lifeline and Link Up programs may be found at Subpart E of the FCC's "Part 54" Rules (47 CFR 54, Subpart E).

DTMF (tone-dialing) or its functional digital equivalent; access to emergency services; access to operator services; access to interexchange service; access to directory assistance; . . ."[78] In order to keep these services affordable, Lifeline involves a customer credit for interstate subscriber line charges for eligible low-income customers and, in some cases, reductions in their basic local exchange rates, as well.

Beginning January 1, 1998, the FCC authorized all Lifeline customers to receive $3.50 in federal support, without the need for any action by the States.[79] The IURC approved the second level of support for all Indiana ILECs in 1997, for a total of $5.25 in federal Lifeline support in Indiana. Out of this $5.25, $3.50 was targeted to reduce interstate end user charges for residential and single line business customers and the rest to reduce the rates for basic residential local exchange service.[80] Some of these figures have changed recently, following the FCC's approval of the negotiated "CALLS plan" for reforming interstate access charges and universal service support. Specifically, the cap on the first tier of support for primary residential and single line business lines (formerly $3.50) has been increased to $4.35. This will rise to $5.00 on July 1, 2001. There is a possibility of further increases in the cap on the interstate end user charges (up to $6.00, effective July 1, 2002; and up to $6.50, effective July 1, 2003), if the price cap ILECs are able to justify such additional increases to the FCC through their cost studies. If the FCC does allow these further increases to the interstate SLC caps, then the amount of Lifeline support would be increased by the same amount.

The Link Up program is intended to make telephone service more affordable to persons who might otherwise be unable to subscribe because of the initial connection charge. This is accomplished through a customer credit toward 50% of that connection charge, up to a maximum of $30.00 (half of $60.00). The Link Up program also includes an interest-free deferred payment plan for up to $200.00 in connection fees, for a period "not to exceed one year." Link Up subscribers may take advantage of one or both of these features.

Eligibility requirements for Lifeline customers in states that do not provide state Lifeline support (e.g., Indiana) are set forth in the FCC's rules.[81] Essentially, Lifeline and Link Up benefits are available to low-income consumers who participate in one of the following programs: Medicaid, food stamps, Supplemental Security Income, federal public housing assistance, or Low-Income Home Energy Assistance Program (LIHEAP). Lifeline subscribers must sign a statement verifying their participation to the carrier, under penalty of perjury.

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[78] In re: Federal-State Board on Universal Service, CC Docket No. 96-45 [FCC 97-157], at Para. 384 (Report and Order) [hereinafter, *FCC Universal Service Order*] (Rel. May 8, 1997). See, also, 47 CFR 54.401(a); 47 CFR 54.101(a).

[79] FCC Universal Service Order, at Paras. 351, 353. See, also, 47 CFR 54.403(a).

[80] 47 CFR 54.403(b). NOTE: The FCC has recently modified this rule, in conjunction with its approval of the CALLS plan.

[81] 47 CFR 54.400(a)

The offering of universal service (as defined by the FCC) along with the provision of support for low-income customers, is a federal requirement for certification by the IURC as an "eligible telecommunications carrier" (ETC). In turn, certification as an ETC is a prerequisite to receiving money from most of the federal universal service funds, including reimbursement for providing Lifeline and Link Up services. To date, the Commission has certified all 42 Indiana ILECs as ETCs; however, no non-ILEC telecommunications carrier has applied to the IURC for ETC certification in Indiana.

Lifeline and Link Up Statistics [82]

Of the 42 ILEC ETCs, five have never requested reimbursement for Lifeline or Link Up programs. Six claimed $0.00 in Lifeline reimbursement in 1999. Based upon recent unpublished USAC data, in 1999, an estimated 19,058 Lifeline subscribers in Indiana received a total of $1,231,268 in federal Lifeline support. The unpublished USAC data also show that an estimated 5,507 Indiana subscribers received $127,536 worth of Link Up assistance in 1999. This represents a 22.7% increase over the corresponding 1998 figure of $103,940.[83] Finally, from 1988 to 1999 (inclusive), unpublished USAC estimates show that Indiana ILECs requested approximately $887,000 in reimbursement for participating in the Link Up programs.

Universal Service Assistance (USA) Lifeline (Ameritech Indiana)

On February 16, 2000 in Cause No. 41052-ETC-39, the IURC approved Ameritech Indiana's enhanced Lifeline plan, USA Lifeline, which became effective on April 22, 2000.[84] The FCC found in its Merger Order that SBC/Ameritech Indiana must offer an enhanced Lifeline plan to state commissions for approval and Ameritech Indiana is required to offer the enhanced Lifeline plan for 36 months following the effective date of the tariff.

USA Lifeline is a telephone assistance program, which provides certain eligible residential customers requesting residence telephone service with the following benefits:

- Recurring discount on the monthly basic local exchange access line rate (excluding any toll or local usage);
- Waiver of the federal end user charge;

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[82] All 1999 figures are estimates, based upon unpublished USAC data and/or informal discussions between IURC Staff and USAC Staff.

[83] The large increase may be explained by a change in FCC eligibility requirements: companies wishing to receive most other types of federal universal service and high cost support are now required to offer both Link Up and Lifeline assistance to eligible low income consumers.

[84] In the Matter of the Designation of Eligible Telecommunications Carriers by the Indiana Utility Regulatory Commission Pursuant to the Telecommunications Act of 1996 and Related FCC Orders and in Particular, the Application of Indiana Bell Telephone Company, Incorporated d/b/a Ameritech Indiana to be so designated, Cause No. 14052-ETC-39, February 16, 2000.

- Waiver of a deposit to establish local service;
- Waiver of the applicable service connection charges;
- Free toll restriction, call trace and automatic blocking for 900 and 976 calls; and
- Waiver of applicable service conversion charges for changing to or from USA Lifeline. (USA Lifeline does not apply to network wiring charges.)

The maximum recurring discount under this expanded plan is $10.20 per month (includes federal end user charge and basic local exchange access line rate).

As conditions of approval, the IURC stated in its Order that Ameritech Indiana must provide the following information about USA Lifeline on an annual basis:

- How the $64,000 annual promotional budget required by the FCC is spent; and
- How many customers subscribe to the existing Lifeline plan and the enhanced USA Lifeline plan.

Indiana High Cost Fund (IHCF) [85]

The intrastate Indiana High Cost Fund (IHCF) is designed to provide financial assistance to certain small LECs with above-average intrastate Non-Traffic Sensitive costs to keep rates affordable. The IHCF assistance is intended to reduce the need for the affected LECs to raise their local rates to recover a portion of these Non-Traffic Sensitive costs. The Indiana High Cost Fund Administrator (Ameritech Indiana) makes two types of payments to qualified small LECs: 1) the End User Offset payments and 2) the regular High Cost Fund payments. Funding companies include all LEC intraLATA Toll Providers with certain types of annual billed intraLATA toll revenues of at least $10 million; plus all interexchange carriers (IXCs), resellers and Alternative Operator Service providers with certain types of annual booked intrastate toll revenues of at least $10 million. For the year ending December 31, 1998, LEC funding companies included Ameritech Indiana, GTE North and United; long-distance funding companies included AT&T, MCI, and Sprint-United.

The IHCF Administrator calculates a total "revenue requirement" for the IHCF (including the total amount of the End User Offsets, the regular High Cost Fund, and Ameritech Indiana's expenses for administering the fund), based upon information provided by the small LECs plus certain previous Commission determinations in Cause No. 37905 about the recipients and the amount of the End User Offset payments. The Administrator then determines each funding company's share of the annual revenue requirement, based upon each company's intrastate carrier common line charge access minutes (both

[85] See, e.g., Cause No. 38269, at 53-62 (Ind. URC Oct. 7, 1992) (Phase II Executive Committee Report). See also Cause No. 38269, Finding No. 8, at 25-32, Ordering Para. No. 8 (incorp. Finding No. 8), at 41 (Ind. URC Dec. 18, 1992) (Phase II Order); Cause No. 37905, Attachment 1 (Ind. URC Sept. 19, 1990) (Final Report). See, also, Cause No. 40785.

originating and terminating) for the previous year. In 1989, the Commission set a cap on the total IHCF revenue requirement of $1.5 million;[86] on December 18, 1992, the Commission reaffirmed this cap. In November 1997, a recipient company submitted revised data to the IHCF Administrator, which caused a recalculation of the amounts due to certain eligible companies. The revised calculation resulted in a total fund revenue requirement that would exceed the existing $1.5 million cap. Therefore, on December 30, 1997, in Cause No. 40785, the Commission determined that the annual cap should be raised no more than $250,000 to $1.75 million.

In 1999, the funding companies were billed the full $1.75 million. This funding was distributed as follows: $2,220 to the IHCF Administrator for administrative expenses; $1,651,684 in "pro rata" payments to 20 different small LECs for the regular High Cost Fund payments;[87] and $96,096 in total to the eight companies that were eligible for the End User Offset (all eight of those companies were also eligible to receive regular High Cost Fund payments).

On February 1, 1999, in Cause No. 40785, the Commission found "that the IHCF should continue to exist in accordance with existing Commission Orders, and that Ameritech Indiana, the current Administrator, should continue in that capacity unless it provides 60 days' notice of its intent to withdraw as Administrator."[88] The Commission also ordered administrative changes to help Ameritech Indiana administer the IHCF.

Transistional Dem Weighting Fund

On January 1, 1998, pursuant to FCC Orders FCC 97-158 and 97-159, interstate access charges were reduced. This reduction was accomplished in part by the removal of Dial Equipment Minutes (DEM) weighting factors from the interstate access charge. At present, small ILECs (i.e., those with 50,000 or fewer access lines) benefit from DEM weighting factors because the factors act as multipliers increasing interstate local switching revenue above what it would otherwise be. Although the FCC removed DEM weighting factors from interstate access charges on January 1, 1998, small ILECs have not suffered a decrease in interstate revenues; the FCC also has ordered the creation of a federal Universal Service Fund (USF) to allow small ILECs to recoup revenues that they would have lost as a result of the removal of DEM weighting factors from interstate access charges. From the small ILECs' perspective, this reclassification has no effect on the total interstate revenues that they will receive.

Since it is the Commission's general policy to mirror changes in interstate access charges on an intrastate basis, intrastate access charges were reduced on January 1, 1998, by an amount equal to the

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[86] Cause No. 38269 (Phase I), finding No, 5, at 10, 102 PUR4th 330, Ordering Para. No. 4, at 17 (incorp. Finding No. 5), 102 PUR4th 335 (Ind. URC April 12, 1989).

[87] With the IHCF capped at $1.75 million, the disbursements are reduced for each recipient company on a pro rata basis.

[88] *In re*: IURC Access Charge Reform and Universal Service Reform Investigation, Cause No. 40785, at 20 (February 1, 1999).

reduction in the interstate access charge that resulted from the removal of the DEM weighting factors. From the perspective of small ILECs operating in Indiana, this has resulted in a net loss of intrastate access revenues, because at present there is no provision for the creation of a state fund that is analogous to the federal USF. Without a state USF, small LECs would have faced an estimated net loss of $6 million annually in intrastate access revenues beginning on January 1, 1998.

The Indiana Exchange Carriers Association, a group representing Indiana's small LECs, negotiated a stipulated agreement with eight companies who would contribute to a Transitional DEM Weighting Fund (TDWF) to recoup the lost revenue.[89] The agreement became effective January 1, 1998, and expired on June 30, 1998.

In its June 30, 1998, Order in Cause No. 40785, the Commission determined that the TDWF should continue in effect until February 1, 1999. A series of technical conferences were held in August and September, 1998 to determine whether and how the fund would transfer to a competitively neutral funding mechanism and other administrative issues. In a February 1, 1999, Order in Cause No. 40785, the Commission determined that the TDWF would not be converted to a competitively neutral fund but would continue in its present form until Indiana has a state universal service fund. It was also decided that Smithville Telephone Company would continue as Administrator.

[89] The companies included AT&T, Ameritech Indiana, GTE, Frontier Communications International, Inc., LCI International Telecom, MCI, Sprint and LDDS Worldcom, Inc.

16. FINANCIAL AND OTHER INDUSTRY STATISTICS

As shown in Appendix A, the telecommunication services industry in Indiana represents a market with intrastate gross revenues for 1999 of $2.8 billion. This represents an increase in revenues of 20.5 percent from the 1998 level, and a 12.28 percent increase over the 1995 level. The compound annual growth rate during the 1995-1998 period was 3.33 percent. ILEC intrastate operations accounted for $1.53 billion or 53.9 percent of the total telecommunications gross intrastate revenues in 1999. The ILEC's share of the total telecommunications industry revenues decreased by 7.8 percent from 1998 to 1999 and are 10 percent less in 1999 than they were in 1995. For more information, refer to Appendices A, B, and C.

In reports prior to 1997, we were able to segregate the revenues of other telecommunications companies (IXCs, resellers, alternative operator services, radio common carriers, cellular and mobile). Because of the diversification of services offered, it is no longer possible to classify a company as providing only one type of service. Consequently, the revenues for these companies have been separated into two groups, those with intrastate revenues in excess of $10 Million and those with less than $10 Million. Carriers other than ILECs with 1999 intrastate revenues in excess of $10 Million, accounted for 37 percent of the gross intrastate telecommunications services revenues. Those carriers other than ILECs with revenues less than $10 Million make up the remaining 9.1 percent of the total.

As demonstrated by Appendices D and E, all Indiana ILECs, with one exception, have modernized their switching systems to the point where they are 100 percent served by fully digital central office (CO) switching equipment. As of 12/31/99 Ameritech Indiana continued to serve 263,467 access lines through electronic analog central offices. This is 7.07 percent of the total ILEC access lines. The percent of the LECs' access lines served by fully digital central office (CO) switching equipment is up from 92.55 percent in 1998 to 92.93 percent in 1999. The corresponding portion of access lines served by fully digital CO switching equipment in 1995 was 85.09 percent.

17. MERGER BETWEEN GTE AND BELL ATLANTIC (VERIZON)

In July 1998, GTE Corporation (GTE) and Bell Atlantic Corporation (Bell Atlantic) announced a planned merger. On October 2, 1998, the IURC was informed via letter of the planned merger and the companies filed for regulatory approval from the FCC. On November 18, 1998, in Cause No. 41332, the IURC opened an investigation into the merger.[90] The investigation was undertaken to prepare comments for submission to the FCC and to determine whether the IURC has the authority to approve the merger. Commission staff developed specific questions for GTE and Bell Atlantic, which were supplemented by questions from intervening parties. On March 16 and 17, 1999, GTE and Bell Atlantic were questioned formally regarding the proposed merger. The IURC issued an Order on May 26, 1999 finding that the IURC had jurisdiction to approve the merger, thereby setting in motion the second phase of the investigation, with an evidentiary hearing set for September 14-17, 1999. On July 30, 1999, the Indiana Supreme Court vacated the May 26, 1999 decision, ruling that "section 83(a) does not require Commission approval of this proposed transaction in the outstanding securities of these public utilities or their parents."[91] On August 16, 1999, GTE petitioned the IURC to vacate the remainder of the procedural schedule. On September 8, 1999, the presiding Administrative Law Judge granted GTE's motion and ordered the parties to file briefs and proposed orders. On March 1, 2000, the IURC sent comments to the FCC that described the state of competition in Indiana, stated GTE actively resists state regulation, argued that BA/GTE should be held to the same federal conditions as those of the SBC/Ameritech merger, and proposed that some of the conditions need to be altered so advanced services are deployed and competition further develops. On March 22, 2000, the IURC formally concluded the proceeding by summarizing parties' comments and attaching the comments to the FCC to the Order.

On June 16, 2000, the FCC approved the merger between GTE and Bell Atlantic (the merged company is now called Verizon) with certain conditions.[92] In general, the federal conditions imposed on the merger attempt to promote equitable and efficient advanced services deployment, ensure open local markets, foster out-of-region competition, and improve residential phone service. These federal conditions largely mirror the conditions developed in the SBC/Ameritech merger. Some of the conditions involve Commission action such as approving a CTA for a data affiliate, a new lifeline plan, cost studies, and amendments to interconnection agreements; other conditions do not require state action, but will be monitored by the Commission for compliance.

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[90] Cause No. 41332, In the Matter of the Investigation on the Commission's Own Motion Into all Matters Relating to the Merger of GTE Corp. and Bell Atlantic Corp.

[91] 715 N.E. 2d ____ (Ind. 1999).

[92] GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License, Memorandum and Order, FCC 00-221 (rel. Jun. 16, 2000).

18. OPPORTUNITY INDIANA I AND II – ANCESTORS OF OI-2000

On May 4, 1993, Indiana Bell Telephone Company, Inc., d/b/a Ameritech Indiana, filed an alternative regulation plan with the Commission that was docketed as Cause No. 39705. The proposal, filed pursuant to I.C. 8-1-2.6, was referred to by the company as "Opportunity Indiana." During the proceeding, Ameritech Indiana reached a series of settlement agreements with various parties that generally resolved and, in some cases, deferred disputed issues. Together these settlement agreements formed the foundation of the Commission's Order that was issued on June 30, 1994. As set forth in the June 30, 1994, Order, Ameritech Indiana received increased regulatory flexibility through December 31, 1997, with respect to the provision of pricing of its telecommunications services.

In anticipation of the expiration of Opportunity Indiana, Ameritech Indiana initiated Cause No. 40849 on May 1, 1997, and, again, sought flexible regulatory authority under I.C. 8-1-2.6. Recognizing the possibility that the Commission might not be able to issue a final order on a comprehensive replacement regulatory structure by December 31, 1997, Ameritech Indiana also included in its petition a request to extend the existing terms of Opportunity Indiana on an interim basis.

At a prehearing conference on June 18, 1997, the Office of Utility Consumer Counselor (OUCC) and intervening parties, most of whom were parties in the original Opportunity Indiana settlement agreement case, objected to any extension of Opportunity Indiana beyond its scheduled expiration on December 31, 1997. Upon agreement of the parties, a separate hearing was scheduled for July 21, 1997, to receive testimony about continuing Opportunity Indiana in the interim should issues related to a comprehensive replacement plan not be resolved prior to its expiration.

At the July 21, 1997 hearing, Ameritech Indiana presented testimony about continuing Opportunity Indiana on an interim basis. At the conclusion of Ameritech Indiana's case-in-chief, AT&T Communications of Indiana, Inc. (AT&T), pursuant to Indiana Trial Rule 41(B), made a motion to dismiss Ameritech Indiana's request for a temporary extension of Opportunity Indiana. The OUCC and all intervening parties joined in AT&T's motion, which subsequently was granted by the presiding officers. Ameritech Indiana appealed the presiding officers' ruling to the full Commission and a briefing schedule for the parties was established.

On July 31, 1997, the Commission's Order on Appeal was issued. In part, the Order denied Ameritech Indiana's appeal of the granting of the motion to dismiss, and found that it would be in the public interest for the Commission to investigate an interim regulatory structure for Ameritech Indiana. The Order On Appeal also directed the establishment of an expedited schedule for considering the extent to which the Commission should relax its jurisdiction over Ameritech Indiana on an interim basis, if at all, as of January 1, 1998.

On September 30, 1997, the Commission began three days of hearings to consider what form of interim relief would be appropriate. Ameritech Indiana reiterated its position that relief take the form of Opportunity Indiana, although several other parties supported returning the company to traditional rate of return regulation in the interim. Two weeks later, on October 15, 1997, the Commission issued its Preliminary Order on Interim Relief (Preliminary Order).

In the Preliminary Order, the Commission concluded that it would be in the public interest to decline to exercise at least some of its jurisdiction over Ameritech Indiana on an interim basis. However, based upon the evidence, the Commission concluded that it should not take the form of Ameritech Indiana's existing Opportunity Indiana plan. In rendering its preliminary decision, the Commission proposed five requirements that it suggested might form the basis for an interim alternative regulatory framework.[93] The Preliminary Order made it clear that a sufficient record existed upon which to craft an interim regulatory structure. However, it also indicated that the Commission, the parties, and the public would be better served if the parties presented additional testimony in the time remaining before Opportunity Indiana expired.

For purposes of receiving additional testimony, a hearing was scheduled for November 17, 1997, although the hearing did not take place as planned. Instead, in the period between the issuance of the Preliminary Order and the scheduled hearing, several parties filed a variety of legal motions and briefs. Ultimately, after dispensing with these various legal and procedural issues, the Commission was left with very little time within which to issue an order setting forth an interim regulatory plan. Nonetheless, the Commission issued a Final Order on Interim Relief (Final Order) on December 30, 1997, using the testimonial record as it existed at the time that the Preliminary Order was issued.[94]

In addition to adopting the five requirements enumerated earlier, the Commission reasserted its jurisdiction over several areas of Ameritech Indiana's operations. The Final Order required Ameritech Indiana to: 1) apply Customer-Specific Offering requirements previously adopted in Cause No. 38561 to the company's customer-specific, i.e., non-tariffed, contracts; 2) file market performance reports similar to those required of new entrants in the local market; 3) submit the same reports as filed by other ILECs; 4) maintain depreciation records subject to the Uniform System of Accounts; 5) periodically report

[93] Generally, the five requirements proposed to: 1) maintain the existing classification of Ameritech Indiana's services as Basic Local Service (BLS), BLS-Related, and Other; 2) maintain existing tariff structures, formats, and filing requirements; 3) apply the same regulatory requirements to Ameritech Indiana's carrier access services that are applied to all other ILECs; 4) require carrier access services to be submitted to the Commission for approval; and 5) apply the Commission's rules for standards of service (170 IAC 7-1.1, et seq.) and rules for extended area service (170 IAC 7-4, et seq.).

[94] The Final Order was approved by a vote of 4-1.

quality of service indices; 6) fulfill remaining infrastructure investments agreed to in Opportunity Indiana I; and 7) decrease its residential and business rates by 4.6 percent.[95]

Ameritech Indiana appealed the Commission's Final Order to the Indiana Court of Appeals (Court).[96] On October 14, 1999, the Court reversed the portion of the Commission's Final Order which adopted a price cap linked to a productivity offset form of alternative regulation and which ordered a reduction in Ameritech Indiana's residential and business rates by 4.6 percent and remanded those issues to the Commission for further proceedings. The Court affirmed the Commission's Final Order requiring Ameritech Indiana to comply with the infrastructure investment obligations set forth in Opportunity Indiana I.

Opportunity Indiana II

On January 29, 1999, in Cause No. 40849, Ameritech Indiana filed the second phase of its alternative regulatory plan, Opportunity Indiana II (OI-II). Ameritech Indiana claimed OI-II was needed in light of the TA-96 and rapidly changing technology. Initially, Ameritech Indiana's OI-II request was suspended pending the outcome of its rate conformance proceeding in Cause No. 40785-S1, which was initiated on January 20, 1999. Opportunity Indiana II was subsequently withdrawn when Ameritech Indiana filed Opportunity 2000 on April 13, 2000.

Infrastructure and Education Investments

On June 30, 1994 this Commission approved a Settlement Agreement proposed by several of the parties in Cause No. 39705 (Opportunity Indiana). One of the terms accepted as part of the Settlement Agreement, found in Paragraph 10(b), concerned Ameritech Indiana's expenditure of $120 million for improvements to its infrastructure, specifically for three categories of customers: schools, hospitals, and major government centers. This term was agreed to with the express understanding that the value of the investments would not be subject to recovery through rates and charges.

On May 1, 1997, Ameritech Indiana filed its petition, in Cause No. 40849, seeking a new alternative regulatory plan, Opportunity Indiana II, to replace Opportunity Indiana. During the course of the hearings in this cause, the Commission heard testimony about the extent of Ameritech Indiana's compliance with the terms of Opportunity Indiana over the preceding three years. At the hearing on September 30, 1997, Ameritech Indiana's witness Cubellis testified that through March 1997, the company had spent $14.8 million toward it's Paragraph 10(b) commitments. On redirect, he indicated that through June 1997 the correct total was $15.6 million. Based on that testimony, the Commission

[95] Two areas were exempted from the rate decrease because of regulatory developments. They were: 1) coin services, which largely have been deregulated by federal order and were the subject of proceedings in Cause No. 40830; and 2) Centrex services, which also largely have been deregulated and generally fall within Ameritech Indiana's "other" services category—the least stringently regulated of Ameritech Indiana's service categories.

[96] Ameritech Indiana's case was docketed by the Court as Cause No. 93A02-9801-EX-22.

found in its December 30, 1997 Order that Ameritech Indiana had failed to meet its Paragraph 10(b) infrastructure investment obligations of $20 million per year. The Commission directed Ameritech Indiana to file a report by April 3, 1998, outlining its compliance with the infrastructure provisions set forth in the original Opportunity Indiana case.

Ameritech Indiana filed an Infrastructure Report with the Commission on April 3, 1998, in which it reported having spent $18.75 million supporting the Corporation for Educational Communication and $17.8 million for the direct broadband infrastructure to schools, hospitals and government centers in the form of fiber optics. Ameritech Indiana further claimed that it had invested $8.9 million in infrastructure that was associated with Opportunity Indiana, $28.7 million in digital switching equipment, and $24.7 million in digital inter-switching office transport facilities used by the targeted customer segments. Thus, Ameritech Indiana claimed that the total infrastructure expenditures for the Opportunity Indiana infrastructure commitment totaled $79.4 million, not the $15.6 million that had been reported by Ameritech Indiana during the public hearing in Cause No. 40849 in June 1997.

In order for the Commission to evaluate Ameritech Indiana's revised claims, the Commission issued a Docket Entry on June 16, 1998 ordering Ameritech Indiana to provide, within thirty days, supplemental information in nine subject areas. The Company filed a public version of its response on July 16, 1998. Confidential portions of the response were withheld pending a finding of confidentiality. A hearing was held on October 29, 1998 at which the presiding officers found that the allegedly confidential portions of Ameritech Indiana's Response were in fact confidential and would be treated as such by the Commission. The confidential portions of the Response were then provided to the Commission.

After completing a thorough review of the Infrastructure Report and the Supplemental Response, on April 28, 1999, the Commission issued an order. The Commission found:

> Having allowed Ameritech Indiana ample opportunity to provide an accounting of its infrastructure investments in satisfaction of its obligations pursuant to Paragraph 10(b) of the Opportunity Indiana Settlement Agreement, and having found its explanations for claiming more than its direct broadband investments unpersuasive or otherwise lacking, we find its actual 10(b) expenditures to be no more than $17.8 million through the end of 1997, or some $62 million less than promised.... Accordingly, Ameritech Indiana should spend the balance of the $120 million total Opportunity Indiana infrastructure investment commitment, which balance stood at $102.2 million at the beginning of 1998, and should within one month from the date of this Order file with this Commission its specific plan for doing so. Ameritech Indiana should confer with the other settling parties to devise an expenditure plan.[97]

[97] Cause No. 40849, In the Matter of the Petition of Indiana Bell Telephone Company, Incorporated d/b/a Ameritech Indiana for the Commission to Decline to Exercise in Whole or in Part Its Jurisdiction Over, and to Utilize Alternative Regulatory Procedures for, Ameritech Indiana's Provision of Retail and Carrier Access Services Pursuant to I.C. 8-1-2.6 *et seq.*, April 28, 1999, at 5.

On May 18, 1999 Ameritech Indiana filed its Verified Petition for Reconsideration and Rehearing of April 28, 1999 Order. On May 28, 1999 Ameritech Indiana filed its Report on Meeting with Settling Parties and Intelenet Commission and on June 3, 1999 the Office of Utility Consumer Counselor and Residential Customers filed their Joint Response to Ameritech Indiana's Report on Meeting with Settling Parties and Intelenet Commission. The case is pending awaiting review and determination by the Commission.[98]

Free Subscription Program Results

In order to advance universal service, Opportunity Indiana provided that Ameritech Indiana would waive certain nonrecurring charges associated with initiating telephone services (customer deposit, line connection charges, and service order charges) for new customers living in geographic areas with below-average telephone service penetration rates, during a preselected 30-day period each year (through 1997). Ameritech Indiana has offered the free subscription program six times, in November of 1994, 1995, 1996, 1997, 1998 and 1999. The results of the offerings are as follows.

November 1994

The initial waiver was offered to 42,000 potential customers in November 1994 and attracted 1,516 new subscribers (approximately 3.5 percent of potential subscribers). There were no additional eligibility requirements beyond this residency requirement, such as household or personal income, receipt of public assistance income, etc.

Six months after the free subscription was offered for the first time (May 31, 1995), 360, or 24 percent, of the 1,516 customers that initially received local service under the plan either discontinued service or were disconnected by Ameritech Indiana. Customers who discontinued service gave the following reasons: moving, no further use, could not afford or disaster. Ameritech Indiana disconnected customers for non-payment, abandoned service or fraud. Eighteen months after these customers started service under the plan (May 31, 1996) 1,065 customers (70 percent) no longer had local telephone service. As of May 31, 1997 (two and one half years after being connected), only 280 customers (18.45 percent) remained on the network. By April 30, 1998, 253 (16.67 percent) remained on the network.

November 1995

Free subscription was again offered in November, 1995, which resulted in 237 new subscribers. Through May 31, 1996, 94 (40 percent) of those customers either discontinued service or were disconnected by Ameritech Indiana. As of May 31, 1997, 67 customers (28.26 percent) remained on the network. As of April 30, 1998, 61 customers (25.74 percent) remained on the network.

[98] The Stipulation and Settlement Agreement filed in Opportunity Indiana 2000 on July 10, 2000 purports to resolve these outstanding infrastructure investment issues.

November 1996

Free subscription was offered for a third time in November 1996, which resulted in 175 new subscribers. Through May 31, 1997, 46 (26 percent) of those customers either discontinued service or were disconnected by Ameritech Indiana; 129 (73.71 percent) remained on the network. As of April 30, 1998, 103 customers (58.86 percent) remained on the network.

November 1997

Free subscription was offered for a fourth time in November 1997, which resulted in 532 new subscribers. Through April 30, 1998, 125 (23.50 percent) of those customers either discontinued service or were disconnected by Ameritech Indiana. As of April 30, 1998, 407 (76.50 percent) customers remained on the network.

November 1998

Free subscription was offered for a fifth time in November 1998, which resulted in 238 new subscribers. Through July 1999, 104 (43.7 percent) of those customers either discontinued service or were disconnected by Ameritech Indiana. As of July 1999, 134 (56.3 percent) customers remained on the network.

November 1999

Free subscription was offered for a sixth time in November 1999, which resulted in 108 new subscribers. Through March 2000, 64 (59.3 percent) of those customers either disconnected service or were disconnected by Ameritech Indiana. As of March 31, 2000, 44 (40.7 percent) customers remained on the network.

Quality of Service

In its December 30, 1997 Order in 40849, the Commission found that Ameritech Indiana should begin reporting quality of service data on a quarterly basis. Reporting is to be based upon quality of service standards applicable to all telephone companies in Indiana that were adopted by the Commission in 1979.[99] (170 IAC 7-1.1 et seq.) On June 9, 1998, the initial "Review of Service Quality Results for Ameritech Indiana" was presented to the Commission. Ameritech Indiana has provided this report to the Commission on a quarterly basis ever since. Table 11 shows the data from these reports for the last five quarters.

[99] Final Order @p. 11.

Table 11: Ameritech Indiana - Quality of Service Results

CATEGORY	IURC STANDARD	2nd qtr 2000	1st qtr 2000	4th qtr 1999	3rd qtr 1999	2nd qtr 1999
Installation intervals*	90% of requests for primary service satisfied within 5 days	85.5%	86.0%	88.1%	86.8%	98.4%
Repair reports per 100 access lines	Trouble reports will not exceed 10 reports per 100 total lines	2.0	1.6	1.6	1.8	1.8
Out of service carried over [100]		63.6%	59.5%	56.9%	61.6%	58.6%
Out of service cleared within 24 hours*	Service repair practices shall be designed to restore service within 24 hours	81.4%	85.3%	88.9%	87.2%	90.7%
Repair answer*	80% of all calls answered within 20 seconds	72.9%	85.3%	86.9%	82.4%	82.6%
Business office answer*	80% of all calls answered within 20 seconds	24.0%	27.7%	48.6%	32.8%	41.1%
Operator Answer Info/Intercept	All calls answered within average of 7.7 seconds	5.4	5.2	5.0	5.5	5.4
Toll/Assist operator answer	All calls answered within average of 3.3 seconds	3.2	2.8	2.8	2.9	2.9
Dial tone speed	95% in 3 seconds	100%	99.5%	99.8%	99.7%	99.5%
Trunks	97% no blockage	99.3%	99.1%	99.6%	98.5%	97.5%
Local call completion	95% completion	99.9%	99.9%	99.9%	99.9%	99.9%

* Below the Quality of Service Standards

As part of the ongoing investigation in Cause No. 40785 and pursuant to the Commission's September 16,1998, Order in that Cause, Paul Hartman, as the assigned commission agent, began investigating the need for a change in the telephone service quality standards, which were last amended in 1979. The investigation brought industry representatives and other parties together in a work shop environment to see if they could jointly agree on changes. Although full agreement was not possible, the parties nevertheless did an admirable job of working together to present a document that encapsulates all of their ideas. Alan Matsumoto of Sprint-United headed up the industry task force, and presented new service quality standards to the Commission at a technical conference on July 26, 1999. Ameritech Indiana, INECA, the OUCC, Sprint-United, and AT&T filed their respective dissents to certain points contained in the proposal.

On January 7, 2000, a Docket Entry was issued in Cause No. 40785 informing the parties that the various proposals had been reviewed and that a rulemaking was being commenced to amend the existing telephone service quality standards (170 IAC 7-1.1-1 through 7-1.1-11).

[100] Ameritech Indiana disputes this result as not being a valid service quality indicator as defined by Administrative Code; however, this specific indicator is required per the Order in Cause No. 40849.

19. ACKNOWLEDGEMENTS

The Commission is pleased to acknowledge the hard work of the many staff who are responsible for this report:

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20. LIST OF ACRONYMS

ACT .....Act or Telecommunications Act of 1996
ADSL .....Asymmetric Digital Subscriber Line
ALEC .....Alternative local exchange carrier (synonymous with CLEC)
ARMIS .....FCC Automated Reporting Management Information System
AT&T .....AT&T Communications, Inc.
BLS .....Basic Local Service
CBT .....Cincinnati Bell Telephone Company
CDUC .....Connecticut Department of Public Utility Control
CEC .....Corporation for Educational Communications
CLEC .....Competitive Local Exchange Carriers (synonymous with ALEC)
CMRS .....Commercial Mobile Radio Service
CO .....Central Office
COCUS .....Central Office Code Utilization Survey
Commission .....IURC or Indiana Utility Regulatory Commission
CPUC .....California Public Utilities Commission
CTA .....Certificate of Territorial Authority
DEM .....Dial Equipment Minutes
EAS .....Extended Area Service
ETC .....Eligible Telecommunications Carrier
FCC .....Federal Communications Commission
GTE .....GTE North, Inc.
IHCF .....Indiana High Cost Fund or High Cost Fund
ILEC .....Incumbent local exchange carrier
INECA .....Indiana Exchange Carrier Affiliation
IPA .....Indiana Payphone Association
ISDN .....Integrated Services Digital Network
ISP .....Internet Service Provider
IURC .....Indiana Utility Regulatory Commission or Commission
IXC .....Interexchange carrier
LCP .....Local Calling Plan
LEC .....Local exchange carrier
LRN .....Location Routing Number
LTNP .....Long-Term Telephone Number Portability
MCI .....MCI Telecommunications Corporation
MSA .....Metropolitan Statistical Area
NANP .....North American Numbering Plan
NANPA .....North American Numbering Plan Administrator
NPA .....Number Plan Area

NRO NPRM.....Number Resource Optimization Notice of Proposed Rulemaking
OI-II.....Opportunity Indiana II
OI-2000.....Opportunity Indiana 2000
OSS.....Operational Support Systems
OUCC.....Indiana Office of the Utility Consumer Counselor
POTS.....“Plain Old Telephone Service” (synonymous with BLS)
PUCO.....Ohio Public Utilities Commission
RBOC.....Regional Bell Operating Company
RCC.....Radio Common Carrier
SBC.....SBC Communications, Inc.
SNET.....Southern New England Telephone
SONET.....Synchronous Optical Network
Sprint-United.....United Telephone
TA-96.....Telecommunications Act of 1996 or Act
TCG.....TCG Indianapolis
TDWF.....Transitional DEM Weighting Fund
TELRIC.....Total element long-run incremental cost
Time Warner.....Time Warner Communications of Indiana, L.P.
UNE.....Unbundled Network Elements
USF.....Federal Universal Service Fund
WATS.....Wide Area Telephone Service
XDSL.....Digital Subscriber Line services

21. LIST OF APPENDICIES

TELECOMMUNICATIONS INTRASTATE REVENUES

INCUMBENT LOCAL EXCHANGE CARRIERS (ILECs)	1994	1995	1997	1998	1999	COMP ANNUAL RATE
AMERITECH CORP	$ 828,960,520	$ 806,520,926	$ 821,650,020	$ 875,483,401	$ 932,362,251	2.98%
BLOOMINGDALE HOME TEL CO	142,031	180,321	147,361	162,857	195,428	8.31%
CAMDEN TEL CO	700,499	764,957	836,209	308,134	828,933	4.30%
CENTURY TELE OF CENTRAL IN (Formerly Central Indiana Tele Co)	2,418,462	1,766,411	2,015,083	*	2,061,635	-3.91%
CENTURY TELE OF ODON, INC (Formerly Odon Tele Co.)	1,196,997	914,710	858,357	887,939	918,339	-6.41%
CINCINNATI BELL TEL. CO	2,084,110	2,191,546	2,629,855	2,409,828	2,891,794	8.53%
CITIZENS TEL. CORP	979,157	1,062,917	1,095,979	1,067,791	1,048,391	1.72%
CLAY COUNTY RURAL TEL	5,023,313	6,027,976	5,403,836	5,202,850	5,800,034	3.66%
COMMUNIC CORP of IN	5,106,620	5,492,026	5,692,394	6,233,434	6,349,797	5.60%
COMMUNIC CORP of S. IN	1,115,303	1,115,146	1,160,800	1,223,528	1,113,186	-0.05%
CONTEL of the SOUTH INC	3,586,639	3,673,620	3,784,623	3,114,621	2,889,649	-5.26%
CRAIGVILLE TEL CO	368,265	397,667	443,613	482,276	495,130	7.68%
DAVIESS-MARTIN RURAL TEL CO	1,270,774	1,419,616	1,588,670	1,523,884	1,828,661	9.53%
FRONTIER COMM of IN	899,523	1,006,347	898,290	1,039,501	1,050,079	3.94%
FRONTIER COMM of THORNTOWN	916,365	956,723	915,211	950,322	930,307	0.38%
GEETINGSVILLE TEL	215,326	222,608	233,670	249,312	282,698	7.04%
GTE INDIANA (CONTEL)	75,221,759	77,232,663	79,515,216	66,725,934	68,354,575	-2.36%
GTE NORTH	350,953,117	367,692,592	379,502,090	327,352,038	334,867,758	-1.17%
HANCOCK RURAL TEL CO	2,634,691	2,823,102	3,330,247	3,187,872	3,559,232	7.81%
HOME TEL CO	1,139,716	1,269,030	1,284,874	1,389,834	1,316,545	3.67%
HOME TEL CO of PITTSBORO	1,022,678	1,115,954	1,170,980	1,271,796	1,319,340	6.57%
LIGONIER TEL CO	1,229,044	1,243,498	1,358,335	1,351,391	1,425,491	3.78%
MERCHANTS & FARMERS TEL.	472,458	485,782	582,938	509,318	456,956	-0.83%
MONON TEL CO	797,722	886,650	900,377	929,080	1,114,896	8.73%
MULBERRY COOP TEL CO	699,877	723,774	803,058	862,042	897,220	6.41%
NEW LISBON TEL CO	349,250	355,542	344,465	340,233	320,349	-2.14%
NEW PARIS TEL CO	1,035,040	1,190,811	1,181,427	1,103,181	1,210,755	4.00%
NORTHWESTERN IN TEL. CO	5,789,153	6,949,774	7,260,427	7,156,848	6,860,422	4.34%
PERRY-SPENCER RURAL COOP	2,762,866	2,501,312	2,857,694	3,181,937	3,290,344	4.46%
PULASKI-WHITE RURAL COOP	784,820	870,708	922,069	992,404	1,100,624	8.82%
ROCHESTER TEL CO	2,602,913	2,838,294	2,987,631	2,957,652	3,047,719	4.02%
S&W TEL. CO**	180,328	188,145	188,844	55,376	216,264	4.65%
SMITHVILLE TEL. CO	9,678,018	11,759,380	12,357,917	13,078,533	13,927,220	9.53%
S.EASTERN IN RURAL TEL	671,220	1,658,959	1,955,799	2,126,124	3,134,011	47.00%
SUNMAN TEL CO	1,414,518	1,479,692	1,647,665	1,652,533	1,738,325	5.29%
SWAYZEE TEL CO	520,960	512,225	480,457	510,054	562,380	1.93%
SWEETSER TEL CO	1,073,284	1,155,699	1,161,223	1,152,474	764,596	-8.13%
TIPTON TEL CO	2,008,876	2,043,888	2,063,933	3,190,441	3,686,506	16.39%
TRI-COUNTY TEL CO	1,544,854	1,702,375	1,828,538	2,909,879	3,122,019	19.23%
UNITED TEL CO of IN	107,397,264	109,991,886	111,621,017	111,390,060	113,017,107	1.28%
WASHINGTON CTY RURAL COOP	962,905	1,018,366	1,134,377	1,168,873	1,217,525	6.04%
WEST POINT TEL CO	276,263	299,317	325,823	327,550	335,049	4.94%
YEOMAN TEL CO	539,777	462,787	555,344	580,777	560,947	0.97%
ILECs TOTAL	**$1,426,747,276**	**$1,434,166,722**	**$1,486,876,736**	**$1,457,763,912**	**$1,532,470,467**	**1.77%**

* Company did not file fee billing form.

TELECOMMUNICATIONS INTRASTATE REVENUES

Other Carriers with Revenues in excess of $10 Million in calendar year 1998	1995	1996	1997	1998	1999	COMP ANNUAL RATE
AMERITECH MOBILE SERVICES	$8,538,603	$10,424,022	$11,962,577	$12,942,288	$11,840,916	8.52%
AT&T COMMUNICATIONS of IN.	227,072,836	227,917,982	229,946,371	227,194,419	220,876,238	-0.69%
CINCINNATI BELL LONG DISTANCE, INC.	5,827,789	5,669,079	6,232,356	15,003,264	16,031,984	28.79%
GARY CELLULAR TELEPHONE CO	23,442,148	25,993,434	*	30,744,695	37,405,592	12.39%
GTE COMMUNICATIONS CORPORATION	0	0	5,842,101	7,101,521	19,031,017	80.49%
GTE MOBILNET OF FORT WAYNE LTD PARTNERSHIP	16,513,947	21,287,693	24,986,570	26,911,733	30,920,682	16.98%
GTE MOBILNET OF INDIANA LTD PARTNERSHIP	85,494,251	102,727,670	112,024,815	128,343,471	136,403,842	12.39%
GTE MOBILNET OF INDIANA RSA #6 LTD PARTNERSHIP	5,289,163	7,646,980	9,581,166	9,698,830	10,913,564	19.85%
GTE TELECOM INC.	12,753,835	10,462,722	12,445,835	12,634,444	12,178,204	-1.15%
GTE WIRELESS OF THE MIDWEST INC.	0	0	16,033,284	15,236,783	19,497,045	10.27%
INDIANA RSA 2 PARTNERSHIP	5,605,373	7,914,103	9,885,702	11,452,715	11,245,409	19.01%
KENTUCKY CGSA	0	0	3,003,106	2,579,207	10,572,799	87.63%
MCI WORLDCOM TELECOMMUNICATIONS CORP.	68,512,763	62,263,635	61,951,562	82,030,512	93,521,118	8.09%
MCLEODUSA TELEMANAGEMENT, INC.	0	0	0	2,374,864	17,156,284	622.41%
MICHIANA METRONET – FORT WAYNE	6,249,988	6,175,686	11,086,259	13,809,199	12,479,170	18.87%
NEXTEL WEST CORP.	0	0	1,658,149	1,989,778	25,892,483	295.16%
PAGENET	0	0	8,747,220	15,783,742	15,277,170	32.16%
SOUTH BEND METRONET, INC.	9,295,766	8,079,585	10,659,981	13,746,219	17,886,909	17.78%
SOUTH BEND-MISHAWAKA MSA LIMITED PARTNERSHIP	17,915,497	24,328,659	30,496,349	35,230,030	35,027,987	18.25%
SOUTHERN INDIANA RSA LIMITED PARTNERSHIP	11,279,391	15,419,380	19,259,866	25,220,571	32,002,691	29.79%
SPRINT COMMUNICATIONS CO. LTD.(1997 figure is estimated)	23,690,890	28,910,920	34,693,104	33,637,518	41,193,467	14.83%
WESTEL MILWAULKEE COMPANY, INC.	0	0	6,048,719	33,148,038	26,887,999	110.84%
WESTEL-INDIANAPOLIS COMPANY, INC.	72,543,786	93,534,252	113,640,942	*	134,810,805	16.76%
WIRELESSCO, LP.	0	0	4,368,733	12,278,805	38,836,252	198.15%
WORLDCOM NETWORK SERVICES, INC. (1996 & 1997 figures are estimated)	3,993,368	4,792,042	5,750,450	16,276,616	13,762,766	36.25%
WORLDCOM TECHNOLOGIES, INC.(formerly Worldcom, Inc.)	14,682,870	14,464,491	12,939,010	16,532,896	13,993,134	-1.20%
OTHER > $10M TOTAL	**$568,480,791**	**$663,123,822**	**$738,342,840**	**$784,800,637**	**$1,066,845,627**	**16.39%**
ALL OTHER TELECOMMUNICATIONS CARRIERS TOTAL	**$473,889,405**	**$583,812,966**	**$621,303,462**	**$107,279,722**	**$269,753,676**	**-13.96%**
ALL TELCO OPERATIONS TOTAL	**$2,498,097,471**	**$2,670,502,499**	**$2,541,905,561**	**$2,359,874,271**	**$2,847,868,690**	**3.33%**

* Company did not file fee billing form.

** Purchased by TDS Telecom

RATE OF RETURN DATA – NINE LARGEST TELEPONE COMPANIES

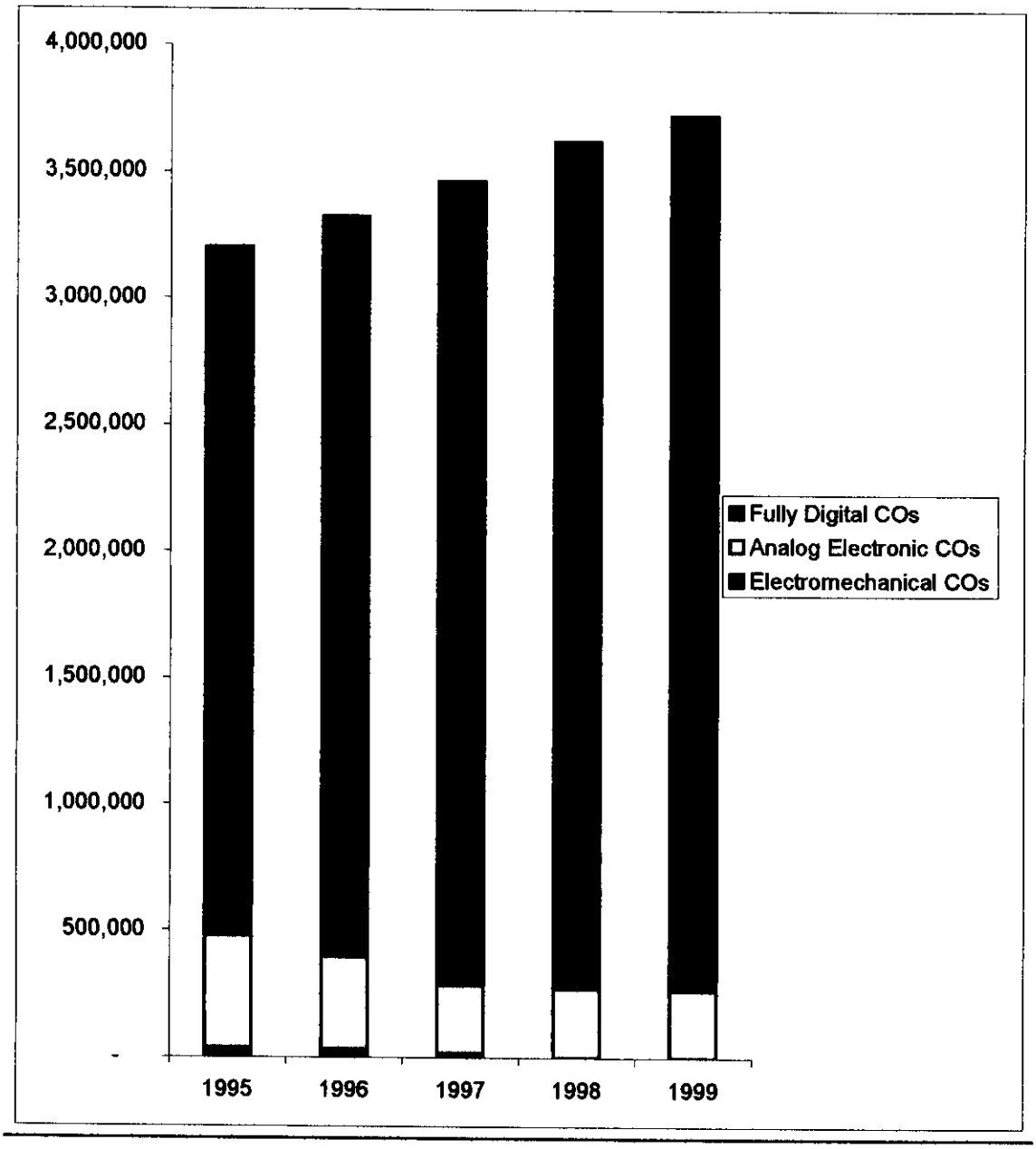
COMPANY	1995	1996	1997	1998	1999
AMERITECH INDIANA					
Rate Base	*	*	*	1,597,283,000	1,622,935,000
Net Operating Income	*	*	*	316,498,000	348,691,000
Rate of Return	*	*	*	19.81%	21.49%
CONTEL of the SOUTH					
Rate Base	10,721,000	10,699,000	13,986,000	14,321,000	14,085,000
Net Operating Income	948,000	1,487,000	912,000	1,247,000	1,466,000
Rate of Return	8.84%	13.90%	6.52%	8.71%	10.41%
COMMUNIC. CORP. of IN					
Rate Base	16,706,225	17,657,643	18,672,155	18,639,423	18,914,906
Net Operating Income	2,068,928	2,034,041	2,309,426	2,362,879	2,562,628
Rate of Return	12.38%	11.52%	12.37%	12.68%	13.55%
GTE INDIANA (CONTEL)					
Rate Base	136,528,000	139,882,000	141,951,000	138,406,000	145,937,000
Net Operating Income	23,426,000	27,435,000	29,500,000	37,827,000	43,512,000
Rate of Return	17.16%	19.61%	20.78%	27.33%	29.82%
GTE NORTH					
Rate Base	806,403,000	792,910,000	874,852,000	854,105,000	846,639,000
Net Operating Income	89,257,000	120,922,000	116,955,000	133,158,000	169,241,000
Rate of Return	11.07%	15.25%	13.37%	15.59%	19.99%
NORTHWESTERN IN TEL. CO.					
Rate Base	11,002,655	14,777,105	16,700,421	18,273,662	16,738,878
Net Operating Income	1,370,012	1,285,278	1,284,349	2,790,295	4,550,587
Rate of Return	12.45%	8.70%	7.69%	15.27%	27.19%
ROCHESTER TEL. CO.					
Rate Base	5,177,051	5,299,048	6,818,509	6,891,524	8,989,414
Net Operating Income	1,157,932	1,355,113	1,306,038	1,176,885	1,286,419
Rate of Return	22.37%	25.57%	19.15%	17.08%	14.31%
SMITHVILLE TEL. CO.					
Rate Base	25,592,751	25,812,602	27,448,122	27,960,447	30,904,061
Net Operating Income	3,854,736	3,372,479	3,896,280	4,196,139	4,160,009
Rate of Return	15.06%	13.07%	14.20%	15.01%	13.46%
UNITED TEL. CO. of IN (d/b/a Sprint)					
Rate Base	169,087,324	161,378,304	151,541,876	150,000,000	144,960,000
Net Operating Income	24,967,787	28,942,234	31,608,977	32,076,000	33,938,000
Rate of Return	14.77%	17.93%	20.86%	21.38%	23.41%

* Ameritech was not required to file this information from 1994 - 1997 based on the order in Cause No. 39705 dated June 30, 1994, commonly referred to as "Opportunity Indiana".

TOTAL INCOME STATEMENT DATA – FOUR LARGEST LECs

LOCAL EXCHANGE CARRIERS	1995	1996	1997	1998	1999	COMPOUND ANNUAL RATE
AMERITECH INDIANA						
Operating Revenues	$1,199,028,000	$1,219,154,000	$1,272,921,000	$905,664,646	1,402,766,000	4.00%
Depreciation & Amortization	203,565,000	210,708,000	197,829,000	209,480,673	196,899,000	-0.83%
Income Taxes	120,095,000	133,262,000	153,434,000	76,478,055	199,177,000	13.48%
Taxes Other than Income	42,839,000	46,374,000	46,797,000	60,923,702	45,085,000	1.29%
Other Operating Expenses	600,463,000	584,781,000	593,166,000	396,416,526	609,308,000	0.37%
GTE INDIANA (CONTEL)						
Operating Revenues	$106,083,000	$107,646,000	113,520,000	76,958,776	135,069,000	6.23%
Depreciation & Amortization	21,122,000	21,982,000	22,735,000	17,187,779	27,287,000	6.61%
Income Taxes	9,363,000	10,589,000	14,800,000	5,556,149	22,641,000	24.70%
Taxes Other than Income	3,688,000	38,888,000	4,261,000	4,036,406	3,605,000	-0.57%
Other Operating Expenses	48,268,000	43,246,000	38,690,000	35,810,933	36,775,000	-6.57%
GTE NORTH						
Operating Revenues	$521,292,000	$555,083,000	588,950,000	400,582,710	622,611,000	4.54%
Depreciation & Amortization	101,625,000	104,763,000	106,468,000	9,788,025	137,588,000	7.87%
Income Taxes	33,638,000	43,628,000	65,461,000	27,839,418	75,979,000	22.59%
Taxes Other than Income	20,706,000	19,729,000	22,579,000	27,051,520	18,632,000	-2.60%
Other Operating Expenses	283,213,000	275,242,000	274,152,000	172,761,322	236,708,000	-4.39%
UNITED TEL. CO. of IN. (d/b/a Sprint)						
Operating Revenues	$166,593,000	$173,720,000	179,561,000	114,349,858	190,638,000	3.43%
Depreciation & Amortization	31,103,000	30,797,000	32,530,000	29,819,600	34,809,000	2.85%
Income Taxes	10,601,000	15,581,000	17,302,000	9,169,294	16,793,625	12.19%
Taxes Other than Income	5,897,000	6,385,000	5,304,000	6,742,561	6,069,375	0.72%
Other Operating Expenses	60,320,000	90,604,000	91,077,000	46,745,574	99,045,000	13.20%
Operating Revenues - Total	**$1,992,996,000**	**$2,055,903,000**	**$2,154,952,000**	**1,497,556,990**	**2,351,084,000**	**4.22%**
Depreciation & Amortization - Total	**357,415,000**	**368,250,000**	**359,562,000**	**266,276,077**	**356,983,000**	**-0.03%**
Income Taxes - Total	**173,697,000**	**203,060,000**	**250,997,000**	**119,042,916**	**314,590,625**	**16.01%**
Taxes Other than Income - Total	**73,130,000**	**111,376,000**	**78,941,000**	**98,754,189**	**73,391,375**	**0.09%**
Other Operating Expenses - Total	**992,264,000**	**993,873,000**	**997,086,000**	**651,734,355**	**981,836,000**	**-0.26%**

Total Switched Access Lines by Type of Central Office Switch



	1995	1996	1997	1998	1999
Electromechanical COs	35,922	33,100	18,226	-	-
Analog Electronic COs	441,379	363,802	265,972	270,103	263,467
Fully Digital COs	2,724,452	2,928,422	3,180,329	3,351,624	3,462,220
Tot. Switched Acc. Lines	3,201,753	3,325,324	3,464,527	3,621,727	3,725,687

TOTAL SWITCHED ACCESS LINES BY TYPE OF CENTRAL OFFICE SWITCH (AS OF DEC. 31, 1999)

COMPANY	ANALOG ELECTRONIC LINES	ANALOG ELECTRONIC PERCENT	FULLY DIGITAL LINES	FULLY DIGITAL PERCENT	TOTAL LINES
AMERITECH INDIANA	263,467	11.53%	2,020,696	88.47%	2,284,163
BLOOMINGDALE HOME TEL. CO.	-	0.00%	616	100.00%	616
CAMDEN TEL. CO.	-	0.00%	1,888	100.00%	1,888
CENTURY TEL. OF CENTRAL IN, INC		*		*	-
CENTURY TEL. OF ODON, INC.		0.00%	1,728	100.00%	1,728
CITIZENS TEL. CORP.	-	0.00%	2,567	100.00%	2,567
CLAY COUNTY RURAL TEL.		*		*	-
COMMUNIC. CORP. of IN.		0.00%	10,907	100.00%	10,907
COMMUNIC. CORP. of S. IN.	-	0.00%	2,125	100.00%	2,125
CONTEL of THE SOUTH		0.00%	11,078	100.00%	11,078
CRAIGVILLE TEL. CO.	-	0.00%	1,200	100.00%	1,200
DAVIESS-MARTIN RURAL	-	0.00%	3,883	100.00%	3,883
FRONTIER COMM. of IN		0.00%	2,675	100.00%	2,675
FRONTIER COMM. of THORNTOWN		0.00%	2,670	100.00%	2,670
GEETINGSVILLE TEL.	-	0.00%	530	100.00%	530
GTE INDIANA (CONTEL)	-	0.00%	196,133	100.00%	196,133
GTE NORTH		0.00%	804,185	100.00%	804,185
HANCOCK RURAL		0.00%	7,891	100.00%	7,891
HOME TEL. CO.	-	0.00%	2,420	100.00%	2,420
HOME TELEPHONE of PITTSBORO		0.00%	2,612	100.00%	2,612
LIGONIER TEL. CO.		0.00%	2,771	100.00%	2,771
MERCHANTS & FARMERS TEL.	-	0.00%	550	100.00%	550
MONON TEL. CO.		0.00%	2,019	100.00%	2,019
MULBERRY	-	0.00%	3,065	100.00%	3,065
NEW LISBON	-	0.00%	896	100.00%	896
NEW PARIS TEL. CO.		0.00%	2,140	100.00%	2,140
NORTHWESTERN IN. TEL. CO.		0.00%	13,318	100.00%	13,318
PERRY-SPENCER	-	0.00%	6,457	100.00%	6,457
PULASKI-WHITE		0.00%	2,138	100.00%	2,138
ROCHESTER TEL. CO.		0.00%	8,542	100.00%	8,542
S & W	-	0.00%	510	100.00%	510
SMITHVILLE TEL. CO.		0.00%	32,516	100.00%	32,516
SEI COMMUNICATIONS	-	0.00%	4,814	100.00%	4,814
SUNMAN TEL. CO.	-	0.00%	4,709	100.00%	4,709
SWAYZEE TEL. CO.		0.00%	1,157	100.00%	1,157
SWEETSER TEL. CO.	-	0.00%	1,915	100.00%	1,915
TCG INDIANAPOLIS	-	0.00%	15,395	100.00%	15,395
TIME WARNER TELECOM OF INDIANA, L.P.		0.00%	14,583	100.00%	14,583
TIPTON TEL. CO.		0.00%	5,589	100.00%	5,589
TRI-COUNTY TEL. CO.	-	0.00%	3,794	100.00%	3,794
UNITED TEL. CO. of IN. (d/b/a Sprint)		0.00%	253,813	100.00%	253,813
WASHINGTON COUNTY RTC		0.00%	3,670	100.00%	3,670
WEST POINT TEL. CO.	-	0.00%	737	100.00%	737
YEOMAN		0.00%	1,318	100.00%	1,318
TOTALS	**263,467**	**7.07%**	**3,462,220**	**92.93%**	**3,725,687**

*** Company did not file requested forms.**